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JULY 1974

Nation's Business

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Nation's Business

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memo from the editor

You may be surprised that there are some people who are not proud of our nation's progress over the last 200 years and would like to celebrate the bicentennial by destroying our system as we know it.

We were surprised—and shocked.

Yet, that's just what the People's Bicentennial Commission preaches. You'll find a report on its ideas beginning on page 65. You'll also find an article on the more patriotic approach to the bicentennial, starting on page 61.

• • •

In connection with our belief that we should be proud of our country, we are also publishing, starting on page 35, the text of the Constitution of the United States. We are doing this in the belief that many of us have not really read this historic document since we were students.

It has been printed in the center of the magazine so that you can pull it out and keep it handy for reading in your leisure or perhaps to consult when you get into one of those discussions about what it really says.

We hope you'll find it useful.

• • •

The Chamber of Commerce of the United States and *Nation's Business* will be celebrating the bicentennial in other ways, too, as it approaches.

As one example, the Chamber has developed a series of scripts for TV mini-documentaries to commemorate the role of American business in our country's heritage.

Each of the one-minute films will tell the story of an individual company's contribution.

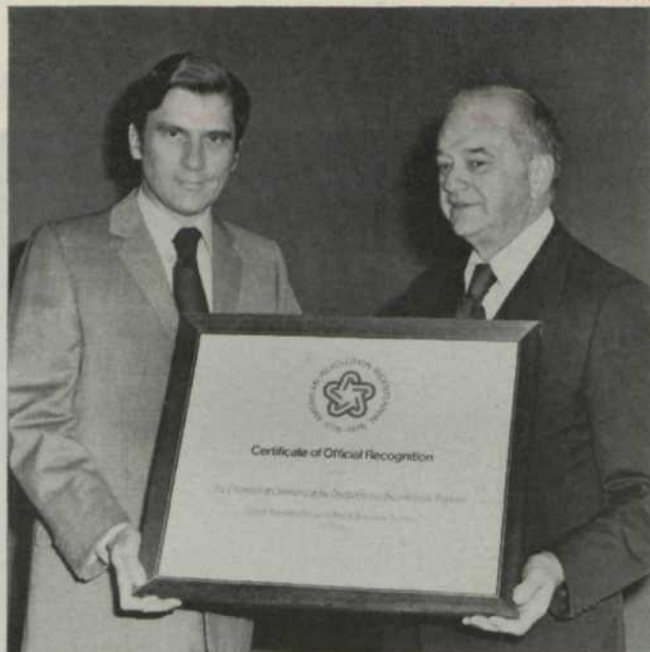
For example, the pilot film features Elisha G. Otis' dramatic demonstration of the world's first safety elevator at the 1854 Crystal Palace Exposition. Otis ordered the rope supporting him and his elevator cut, to demonstrate the elevator's safety. The film illustrates how Otis' invention and his faith in it were necessary to the upward growth of modern cities.

The other films will be based on other companies that were featured in the *Nation's Business* series entitled "Great Moments and Great Men of American Business" in the early 1970s.

Approximately 50 such films are planned, to be aired on television weekly during the bicentennial year.

• • •

Official recognition of the program was accorded Chamber President Arch Booth by the federal govern-



ARBA head John Warner (left) presents a certificate of recognition to Chamber President Arch Booth.

ment's American Revolution Bicentennial Administration. Hugh Hall, then ARBA acting administrator, commented on the pilot film in a letter to Mr. Booth: "Its technical excellence, fast pace and interesting substance should significantly contribute to the program, which, in turn, should become a welcome addition to the overall bicentennial effort." The official bicentennial symbol will be used with this program.

The public relations firm of Doremus & Co. is developing and executing the program for the Chamber. Universal Films in Hollywood is producing the movies.

• • •

For the immediate future, I suppose all of us are interested in what happens to business in the months ahead.

We're happy to report that the 51st *Nation's Business* Outlook Survey finds executives fairly optimistic.

The majority feel that the economy will move ahead in the second half of the year, but are still worried about inflation.

Aren't we all?

Jack Woodbridge

"Bottom-line" spoken here.

If you're involved in the insurance buying decision at your company, you can bump up against some pretty sticky problems.

In reviewing competitive proposals for your insurance business, you may find one of the carriers offers a price that's considerably lower than the others.

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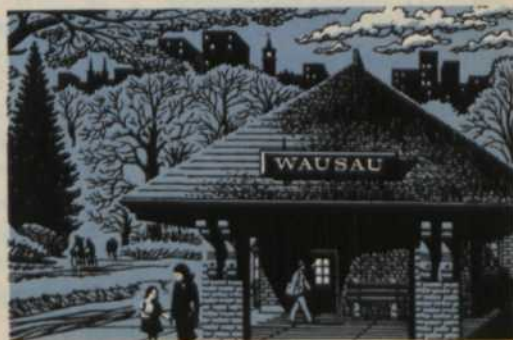
we'll talk price with you. But we want to keep it in perspective. Because an unusually low price may be a temporary advantage. Here today, gone at renewal time.

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executive trends

BY JOHN COSTELLO

Associate Editor

A new crackdown by the feds?

Read about the West Coast firm that had to fork over a bundle—some \$2 million—to 160 ex-employees?

Western Operations, Inc., had fired them.

All were over 40.

Washington said their gray hairs cost them their jobs. Letting them out, it charged, violated the Age Discrimination in Employment Act. It's a no-no, under that law, to discharge anyone between 40 and 65 because of age.

In addition to paying back wages, the Standard Oil Co. of California division reinstated 120 employees.

Last year, the Sugar Cane Growers Cooperative of Florida also got zapped.

The co-op fired Buford Yon, a 55-year-old mechanic. It was because of his years, a federal judge ruled. That cost the co-op \$21,076 in back wages, plus putting Mr. Yon back on the payroll.

The Age Discrimination Act is Labor Secretary Peter J. Brennan's baby. So far, his Department has filed 182 suits for alleged violations of this law. At first, the suits were just aimed at discriminatory help wanted ads.

Now, the Labor Department's after bigger game—"more substantive issues." It's taking a more in-depth look at hiring, and it's also investigating firing or forced retirement.

"After the West Coast case, we got a number of letters from over-40 executives," a Department source says.

"They felt they'd been eased out in mergers—or during cost-cutting purges—because of age.

"When the corporation cuts back, who gets the ax? Often, the decision depends partly on a person's age."

Chances are, you'll read about many more suits.

"Secretary Brennan is very interested in this program," the Labor Department official adds dryly.

European view of advertising

Sure, Madison Avenue is the ad man's Mecca.

Isn't that where the art was born?

Well, advertising may carry a Made in America label, but Europeans seem to appreciate it more, in some ways.

Recently, The Marsteller Foundation bankrolled a study of what European executives think of advertising. It showed some sharp contrasts—as well as some parallels—with results of a Harvard study of U.S. businessmen's views.

Here are some of the results:

	U.S. Executives	European Executives
Advertising is essential.	90%	89%
It speeds introduction of new products.	94%	79%
Most money spent on it is wasted.	25%	24%
It results in better products.	55%	72%
It can hasten recovery from a slump.	42%	64%

The Marsteller survey also shows European executives are more confident of advertising's ability to regulate itself—and less critical of its alleged abuses.

Which suggests the Biblical saying about a prophet not being without honor—save in his own country.

If you want to go into business

Look before you leap.

That's the advice experts give.

The "1974 Directory of Franchising Organizations" (\$2.50), Pilot Industries, Inc., 347 Fifth Ave., New York, N.Y. 10016, offers some useful sug-

gestions to would-be franchisees. For example:

- Check the company's reputation and credit rating.
- Nail down the true costs of getting the franchise.
- Find out how other franchisees are doing.
- How long has the product been on the market?
- Is it a staple or a luxury?
- Is there much competition?
- What territory is being offered—and is it clearly defined?
- Will the franchisor provide merchandise at reasonable prices?
- Will he help you promote the product or service? And what will it cost?
- Can you sell your franchise—and how long will it run?

"Always have a good attorney review the contract," the book advises.

Here are two sales tactics, it adds, that should make you wary:

1. Promises of pie in the sky—high profits with low investment, small risk and little work.
2. High-pressure salesmen who rush you into signing a contract—before, they say, someone else beats you to it.

The directory lists some 700 franchise firms.

If you're starting out on your own, the Small Business Administration's booklet: "Business Plan for Retailers," is very useful. So is its "Checklist for Going into Business."

They're free from the nearest SBA office. Or from the Small Business Administration, Office of Information, Washington, D.C. 20416.

A peek at pay hikes

It's bad news, if you're vice president-finance—or otherwise in charge of the corporate cash.

A survey suggests a drain on those funds.

Employee salaries, the survey finds, are headed much higher. Up 10 per cent this year, and another 10 per cent in 1975. That's for nonunion office workers—plus middle managers who don't rate the executive compensation program.

That 10 per cent increase is the

average budgeted by some 102 industrial companies surveyed by Sibson & Co., Inc., Princeton, N.J., a management consulting firm specializing in corporate compensation.

"Most companies have been able to recapture these increased costs through increased prices," Robert E. Sibson, president, says. "But there's concern that this will not last for long."

What's the next step?

"A massive effort to increase employee productivity," he says. "Otherwise, the increases in costs will come straight out of profits."

Why people won't work

Blame management, says one expert.

Too often, it just doesn't dig what makes people tick, says Wilbert J. Mueller, president, Management Research & Development Institute, Inc., Wichita, Kans. The result?

Strong unions, for one thing, he claims. For another, low productivity.

"Both the existence and the strength of union power can be laid at the door of management," he writes in his book, "Man's Search for Meaningful Work" (5.50).

Why?

Because, he adds, "too often managers have dissipated or abdicated their rights to develop and lead effectively."

The turning point, he believes, was World War II. His thesis:

- Before then, America was known for high productivity and craftsmanship. But no longer.
- "People began to examine themselves and their way of life—not just the economic rewards. As a result of new insights, people . . . are looking for something more meaningful than the satisfaction of purely 'maintenance' needs."

His answer?

Increasing employee participation and involvement in the work.

The results, he writes, are reduced absenteeism, and greater morale, worker motivation, innovation and creativity, that yield "10 per cent, 25 per cent, 50 per cent and even 100 per cent increases in man-hour productivity."



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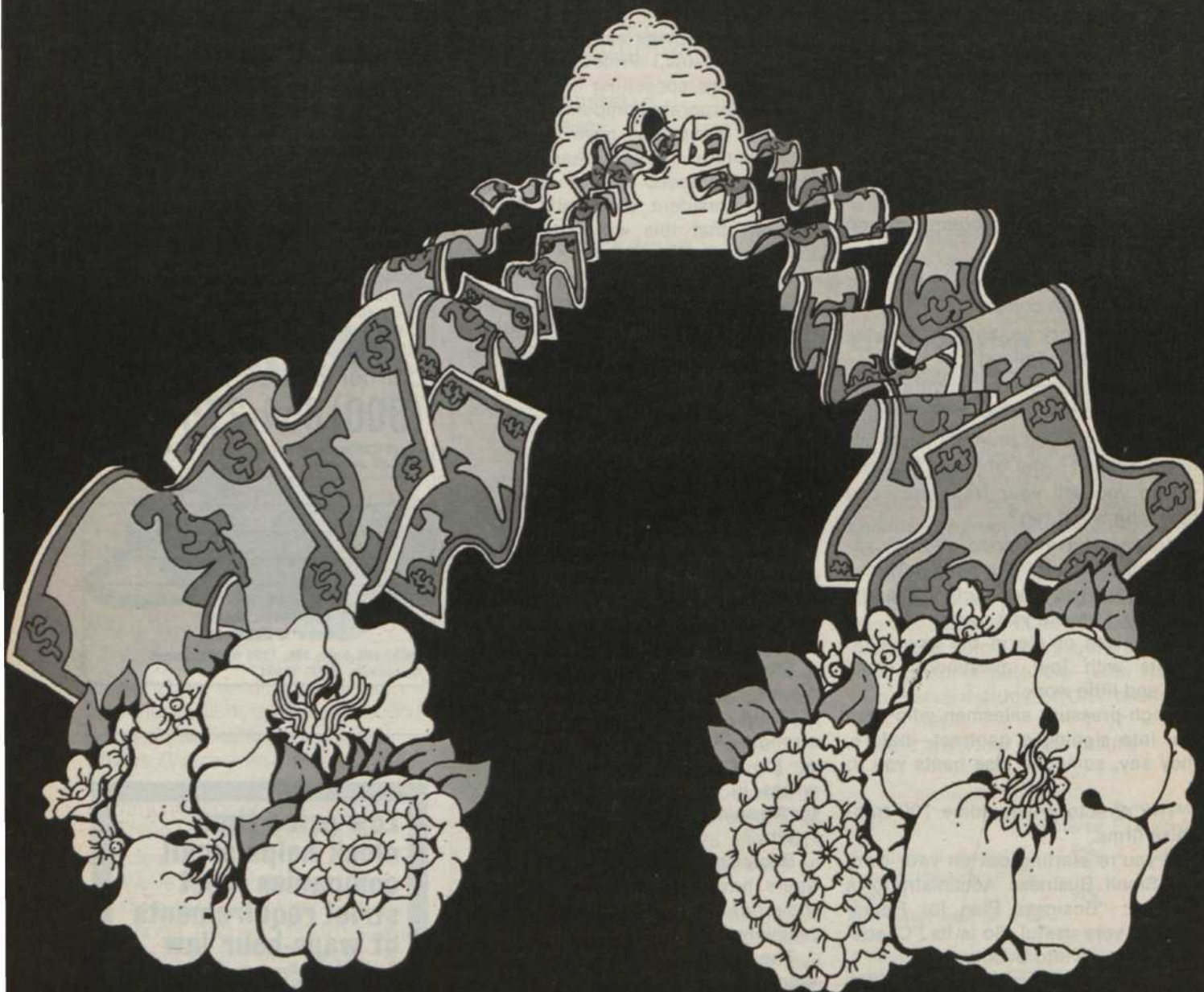
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The Businessman's Money Company

by James J. Kilpatrick

The Highfalutin and the Mighty

There once was a great statesman of Virginia, John Taylor of Caroline. He was a farmer, soldier, scholar, lawyer, philosopher, and three times a United States Senator. He is today altogether forgotten. Taylor's problem was this: He thought richly, but he wrote poorly. His clearest ideas were etched in mud. Taylor's notion of a fine title for a book was, "Construction Construed, and Constitutions Vindicated." John Randolph of Roanoke plowed through the work, and put the volume aside with an acid remark: It would be better, he thought, if Col. Taylor's work had only been translated into English.

A Washington correspondent, condemned to read government prose, is likely to think at least 10 times a week of Taylor's ailment and Randolph's cure. It is one of the curious aspects of our Washington Wonderland that here words are used not to convey thought, but to muffle thought. We stumble about through forests of jargon, trying in vain to find our way. Often we are lost, for jargon is a parasitic growth: It gathers on the limbs of thought like Spanish moss on Charleston oaks; it does not altogether conceal, but it softens, disguises and blurs.

John Taylor's trouble is endemic here these days. The Supreme Court, sad to say, seems to be hopelessly mired in the murky goo of legalese; not since the deaths of Justices Harlan and Black has the Court produced consistently cogent and lucid opinions. The Congress is as bad; its bills grow longer, and the explanations of the bills grow longer still. The White House has its own peculiar difficulties, translating what the President said into what he meant.

I am prompted toward these observations especially by what is going on in the world of education. It is hard to tell what is going on in the world of education. It is becoming the world of Humpty-Dumpty, where words mean what a speaker chooses them to mean, and neither more nor less. The condition is characterized by what might be termed the Highfalutin Syndrome. The most ordinary ideas are decked out in party clothes. It is like putting bootees on a dachshund.

By way of example, consider a recent item from the *Ford Foundation Letter*. It would appear that the University of California is offering a Confluent Education program. There is even a program of Development and Research in Confluent Education. This is the name, we are told, that is given "to an approach to learning and teaching that integrates the emotional concerns of both teacher and student—the 'affective' dimension of education—with cognitive aspects of classroom objectives."

Now, for the record, I have been reading and writing the English language for 50 years. I have written, rewritten or edited some 30 million words for publication. The foregoing description appears to be written in my mother tongue—through the Spanish moss the limbs can be seen dimly—but I would be hard put to translate it into English. What does it mean? I suspect it means nothing. I suspect the "confluent" approach to learning and teaching is nothing more than the familiar interaction of pupil and master—an interaction as old as teaching itself. But I may be

wrong. The editors of the Council for Basic Education *Bulletin* asked a graduate student of education to explain what is meant by "confluent education." He guessed it to mean "the touchies and feelies movement."

Let me try another example. The CBE *Bulletin* for May, 1974, carries a passionate little essay by Harry E. Foster on "The Debasement of School Libraries." Mr. Foster is librarian at the Anne Arundel Community College in Arnold, Md. He notes with dismay the changes that have hit libraries in the past 15 years. These changes are manifestations, in part at least, of the Highfalutin Syndrome.

Thus it appears that libraries no longer are known as libraries. They have donned a new nomenclature—bootees on the dachshund—and now appear as instructional materials centers, or learning resources centers, or media centers, or even as multimedia centers. Such impressive institutions are not to be run by mere librarians; they are run by multimedia specialists, aided by resource consultants. Mr. Foster quotes from the 1969 edition of *Standards for School Media Programs*:

"Media convey information, affect the message, control what is learned, and establish the learning environment. They will help to determine what the pupil sees and what his attitude will be toward the world in which he lives. Therefore it is important that every media specialist participate actively in shaping the learning environment and the design of instruction, and that every media facility, piece of equipment, book or material be selected, produced and used so that the students in our

The Highfalutin and the Mighty *continued*

schools are challenged to a dynamic participation in a free, exciting and enriched life."

What does all that *mean*? What in the hell is "dynamic participation"? Do we translate this into English as "active participation"? Is there some significance in the distinction between students, who are to participate dynamically, and those media specialists, who are to participate actively? Who are these attitude shapers? And what are they molding with their plastic syntax?

Words are like pollen: They trigger allergic reactions. Such words as "facility," "enriched" and "dynamic" strike upon sensitive membranes; they produce intellectual hives. I walk into this goldenrod prose and emerge with a rash. "Utilize" causes positive pain. The director of the National Right to Read Program, a gentlewoman of distinguished reputation, turned up some months ago before a Senate subcommittee. This is how she began her testimony:

"Mr. Chairman and Senators, the Right to Read Office utilizes in the demonstration program standardized tests as well as criterion reference instruments—that is, tests that measure the specific objectives of a program as opposed to any test that is standardized on a national norm."

The reading director went on to discuss an "anchor study test which gives us a national interpretive table." She testified that in terms of adults, her office "utilizes criterion tests." She spoke of a seed money program in Minnesota "to utilize some of the Right to Read resources and materials we developed, like needs assessment instruments and what-have-you." Her office, she said, stresses "the retraining of the staff development of existing personnel, rather than adding new people." She spoke of summer reading programs that would include "a lot of enrichment type activities as well." Said Sen. Eagleton: "Let me see if I understand."

The trouble with these words, these phrases and circumlocutions, is

not that the words themselves are so bad. English is a tolerant and accommodating language; it can find room for "facility," "enriched" and "dynamic," and perhaps—I am doubtful about this—there is some construction in which "to utilize" would be better than "to use." (If you wanted to swat flies, ordinarily you would use a fly swatter but you could utilize *The New York Times*). If these weedy nouns, adjectives and verbs are kept at a distance, nobody sneezes. The trouble is rather with the purpose to which the jargon is put.

In the case of the librarians, perhaps the fancy-shmancy terminology makes a certain rough sense: The skinflint City Council that may resist funds for a library may be more willing to support a learning resources center. Mostly, as in the case of Confluent Education, the usages are sham. They are pretentious, devious and fake. The idea is to impress city councilmen, Senators and ordinary citizens with the erudition of the educator. This is the hocus-pocus of the medicine man, whose skills embrace the art of mumbo jumbo: Let us evaluate the instructional system component! What that means, Col. Taylor, is let us look at the classroom.

It should be needless to add, but I add it anyway, that jargon is one thing and precise usage is something else entirely. The arts, sciences, learned professions and workaday trades all have their own special vocabularies. The lawyer is comfortably at home with his mandamus, and the podiatrist with his metatarsals. The reading specialist who says a child has dyslexia may be imagining a brain disorder (true dyslexia is pretty rare), but the word is legitimate. I am not complaining, heaven knows, against exactness; I am complaining against flummery—against the flummery that converts "text-books" and "blackboards" and "chalk" into the "configuration of instructional resources."

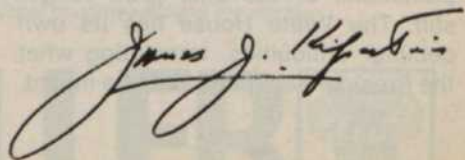
It is rank discrimination, of course, to single out the educators. If they are conspicuously afflicted with the

Highfalutin Syndrome, they surely are not alone. The process of semantic promotion has been going on at least since trashmen became sanitation engineers. City planners, urban sociologists and consultants-on-practically-anything are masters of the arts of opacity. Impelled by a sense of duty, I once read 400 pages of testimony on child development centers; half the witnesses had Ph.D.'s, and all of them spoke in alien tongues.

Why is the elementary business of human communication thus hung about with Spanish moss? Two explanations come to mind. The first is that persons who use jargon are doing only what comes naturally: They do not intend to obfuscate; they are merely incapable of speaking or writing clearly. The second is that the obfuscators obfuscate on purpose. Their purpose is to conceal the miserable truth, otherwise plainly evident, that they have nothing worth saying or writing. Or perhaps they see some advantage in deliberately befuddling their auditors or readers.

Nothing can be done for the second group; they will go on utilizing their manipulative facilities unto the end of time. The first group can be helped (if they want help) by teaching them that it is not so difficult, honest to goodness, to translate jargon into English. Such offenders can be led to the Strunk-White "Elements of Style," or to Rudolph Flesch's books on plain talk and readable writing.

Overblown businessmen can be persuaded that they do not sound impressive, but merely sound silly, when they "finalize an upward corrective adjustment in product lines." They have raised their prices. The remedies lie in deflating the windbag rhetoric—in letting the air out—or, if you please, in excising the adipose tissue. In translation, that means trimming away the fat. The goal, believe me, is worth pursuing.





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The Wage Law and Trouble on the Home Front

• The recently enacted increase in the federal minimum wage will have some dire effects on our country other than feeding inflation.

I refer to the extension of coverage to domestic help (another example of the government interfering in the privacy of one's home) and to the fact that a higher minimum wage discourages smaller business concerns, and retail establishments generally, from hiring teen-agers.

The effect on teen-age employment is well known but has the problem of domestic help been explored fully?

My secretary and bookkeeper gave notice they will have to quit because it is no longer economically practical for them to go to work and pay someone to look after their preschool children.

Employers of domestic help are required to pay a minimum wage but are denied the same rights other employers have to fully deduct labor costs as an expense.

Domestic work not only enables many people to be gainfully employed and off the welfare rolls, but allows other women to work as schoolteachers, bookkeepers, supervisors, etc.

The cost of domestic help should be fully deductible for the individual wage earner.

PAUL R. NESTLER JR.
President
Green Lane Hostery Co., Inc.
Green Lane, Pa.

Reaction to the boomerang

• Prof. Yale Brozen's article, "The Law That Boomeranged" [April], points up a travesty against the American taxpayer which, even more than government spending, is a prime cause of inflation.

The article deals with the Davis-Bacon Act, under which minimum construction wages on federal projects must equal the prevailing rates for the region in which the work is performed. [In practice, Prof. Brozen points out, the wage rates usually are set at the union scale, rather than the lower average of union and non-union construction wages.] These unrealistic, mandatory rates have

had a carry-over effect on every phase of our economy.

To us, the real human tragedy of the Davis-Bacon Act comes from our inability to differentiate in rewarding craftsmen according to their abilities and productivity.

J.A. REECE
President
J.A. Reece Co., Inc.
General Contractors
Clarksville, Tenn.

• We live in a town of some 8,000 people and have seen the very situation where meeting federal wage laws drives out local workers.

But another bureaucracy is developing in Washington, D.C., with power that will make existing ones pale by comparison.

The Interstate Land Sales Act undoubtedly was passed because of flagrant abuses by some developers who advertised through the mail. However, the director of the Interstate Land Sales Registration Office now has assumed the dictatorial power to shut down, fine, imprison and otherwise harass developers in small towns, middle-sized cities and large urban areas.

Bear in mind that these same developers have to meet requirements of local zoning ordinances, planning commissions, city councils, state health agencies and state highway departments.

No one—but no one—knows exactly where they might fall under this ambiguous Act. The result is chaos.

PAULINE G. MARTIN
President
Twain Lakes Tennis Club
Seminole, Okla.

Blueprints for sales blahs

• Re your "Guest Economist" article by Daniel T. Carroll, executive vice president of Gould, Inc. [April].

Contingency planning is quite necessary, but I question his order of responses to adverse economic conditions. By placing price cuts first, he seems to agree with the fallacy that lower prices will cure most ailments. The initial treatment for an infected finger should not be amputation at the elbow.

One problem involved in precipitous price amputations is that there

is no opportunity to judge the severity of length of the downtrend until after the surgery has been initiated. Also, it is difficult to raise prices—as it is to grow an arm—if the infection is of short duration.

I would suggest rather that incentive programs for the sales force and dealers be inaugurated immediately to stimulate lagging sales. Increased promotional activities could be initiated that elicit immediate response.

This action could then be followed by increased trade discounts if the decline is still even evident. And then, price decreases could be published.

MORT LIPMAN
Product Manager
Industrial Packaging Division
Clayco Corp.
Cincinnati, Ohio

The real enemy

• Re your editorial about attacks on business ["You're Still the Answer," May].

After completing our first year in business, my conclusion is that our biggest and most formidable adversary is not hidden in the community and its populace. Nor is it lack of hard work, talented help, guts, or materials. Nor is it the hazards of competition. Rather, it is the complexities of coping with the endless number of government agencies on all levels and their infinite number of rules, regulations, forms and other paper garbage.

The independent operator is as subject to these controls as a large corporation with departments to handle such matters. It is my opinion that combinations of these collectors, monitors, meddlers and pretenders have caused more erosion and collapse of private enterprise than any other entity.

Small, independent businesses will always be the backbone of the nation's economy and stability and I believe some relief from these problems is warranted during their formative years to aid their success and to encourage more individuals to enter the business world.

RON R. MUSGROVE
President
Emcee Corp.
San Leandro, Calif.

Should We Stick to Year-Round Daylight Time?

It was a peacetime first when this country went on daylight saving time at 2 a.m. Jan. 6.

The only other occasions when year-round daylight saving was adopted for the U.S. were during World Wars I and II.

Congress voted overwhelmingly last December to change from six-month daylight saving time because of a different type of struggle—that against the energy crisis which had abruptly been deepened by the Arab oil embargo. Congressmen thought the change, which they made effective until October, 1975, would save fuel used to generate electricity, and they also saw other benefits, including drops in accident and crime rates because more people would be getting home before dark.

Soon, though, there was a flood of bills to repeal the new law—either immediately or on Oct. 27, when day-

light saving time would normally end this year.

What had happened? Lawmakers had been deluged with protests from parents angry over having to send children off to school in predawn darkness. There were reports of a sharp upswing in serious traffic accidents involving schoolchildren. Outdoor workers complained of lost job time in the morning while waiting for daylight. Millions of other people just didn't like the idea of getting to work in the dark.

Sen. Richard C. Clark (D-Iowa) says of the clock-tampering: "We should recognize that we may have made a mistake."

The Senate Commerce Committee plans hearings this summer on whether to terminate the year-round experiment by returning to standard time this October.

But year-round daylight saving still

has many supporters in Congress.

Sen. Adlai E. Stevenson III (D-Ill.) cites a National Safety Conference report that there has been little or no effect on the rate of early morning traffic deaths among school-age children, and notes Transportation Department findings of a sharp drop in fatal accidents among pedestrians and bicycle riders.

As for energy savings, he points to an Edison Electric Institute report estimating that electricity use during the first seven weeks of winter daylight time was 2.2 per cent below that in the previous four weeks—when widespread energy conservation measures were already under way. Foes of year-round daylight time, however, attribute this to heightened conservation efforts.

What do you think? Should we stick to year-round daylight saving time?

Jack Wooldridge, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20006

Should we stick to year-round daylight saving time?

☐ Yes ☐ No

Comments:.....

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.....
.....
.....
.....

Name and title.....

(PLEASE PRINT)

Company.....

City.....

Stand Against Terrorism: Not One Cent for Tribute

The inevitable result of yielding to terrorists' ransom demands is more terrorism.

That is the viewpoint of a majority of the *Nation's Business* readers who answered the May "Sound Off to the Editor" question, "Should terrorists ever be paid off?" More than 80 per cent delivered a resounding No.

The minority held that saving a human life should always be given priority over all other considerations.

It's an issue that has drawn increasing attention of late because of kidnappings and airplane hijackings motivated by politics, plain greed or a combination of both.

Many readers on both sides of the argument express a common viewpoint—that terrorists should be relentlessly tracked down and punished harshly. But in addition, a substantial number of those who oppose payoffs under any circumstances argue that people who pay should be punished, too. There should be a federal law

"Paying off strengthens the terrorists and eventually causes far more violence. . . ."

making such payoffs a crime, they say.

For example, Michael G. Neuberger, vice president-international division, Beech Aircraft Corp., Wichita, Kans., not only urges the death penalty for terrorists when victims are killed or injured, but calls for Congress to pass a law making "payment of ransom or other accession to terrorists' demands a felony."

Responsibility for rejecting those demands "cannot be left to individuals where relatives or associates are involved," he writes.

Again and again, readers on the majority side make the point that—as Allen Whitfield, a Des Moines, Iowa, attorney puts it—paying off terrorists

"is a method of breeding bigger and better terrorists."

Emerson W. Swan, chairman, Red Ball Motor Freight, Inc., Dallas, Texas, asserts: "Success in extortion always encourages more extortion. . . . Paying off strengthens the terrorists and eventually causes far more violence than that initially avoided."

Says Humphrey H. Swift, president, Swift Instruments, Inc., Boston, Mass.: "I believe that under no circumstances should terrorists be paid off because, when they are, it only encourages more terrorists to do the same thing. The paying of bribes very often does not save the life of the person involved, and it certainly endangers the lives of others to be kidnaped by future extortionists."

On the other side of the argument, Edward L. Fay, credit manager for Foote & Davies, Atlanta, Ga., a division of McCall Printing Co., asks: "How can anyone able to pay a ransom refuse to meet a kidnaper's demand when the alternative is possible death to a loved one? No decent person who values life can make any other decision. Corporations owe the same responsibility to employees. Life is more important than money."

That said, Mr. Fay also declares that "kidnaping-terrorism is a heinous, virulent and unforgivable act against society," that once the victims are released "no time or expense should be spared to track down and apprehend the criminals," and that "upon conviction, the death penalty should be universally mandatory."

Mark A. Labandz, traffic director, Barzen of Minneapolis, Inc., Minneapolis, Minn., expresses the belief that "terrorists should be paid off for a simple reason—one human life is worth more than any amount of money." He adds: "With all the money the United States spends on wars to have our men killed, any price could and should be paid to preserve a man's life."

Dr. Jack R. Dauner, president, Sales/Marketing Executives Association, Cuyahoga Falls, Ohio, and professor of marketing at the University of Akron, disagrees:

"Unfortunately the value that Amer-

"No decent person who values life can make any other decision. . . . Life is more important than money."

icans place on human life has created a situation where terrorists can demand and get payment from corporate and other executives. This subject has been thoroughly discussed in my own household and should, by any chance, I ever be the pawn in such a pressure movement, it is my expressed wish that full disclosure be made to authorities and that no ransom should be paid. Continued payment will only encourage more of this type of outrage."

David Cox, president, Will Rogers Stores, Inc., Tulsa, Okla., also is on the No side. "When you have an increase in any business you can always relate it to something you're doing successfully," he says. "In the business of kidnaping, the terrorists can look at the success they have had in their demands and we can naturally expect them to continue to expand their profitable operation."

Another No voter, Americo Silvera, vice president, Carrier International Corp., New York, N.Y., suggests that money be put into rewards to catch kidnapers, rather than into ransoms. He holds that payoffs to terrorists "merely whet their insatiable appetite for more funds."

However, C.W. Carter, general manager, Southeast Steel and Wire Corp., New Orleans, La., says there can be no blanket answer—"This is something that has to be decided case by case. The question is mostly academic until it happens to you."

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QUARTERLY OUTLOOK SURVEY

More Steam Ahead

Top executives give their forecasts on the economic future, including profits, sales and—ugh!—inflation

A majority of businessmen responding to the 51st NATION'S BUSINESS Outlook Survey expect the economy to move ahead in the second half of the year although continuing to labor under the burdens of inflation, scattered energy problems and materials shortages.

More than half think economic activity will pick up, while almost a third see it maintaining the same level. Others predict a downturn.

"The most encouraging aspect of the economy is the strength in the industrial sector—into which the majority of our products are sold," comments Glenn W. Bailey, president and chairman of Keene Corp., a New York City-based manufacturing firm. "The least encouraging is the continuing inflation and materials shortages, with little sign of immediate relief."

Like Mr. Bailey, many of the business leaders answering the survey find the outlook a mixture of good

and bad. This is how sentiment shapes up on questions in the survey (not all the executives answered all queries):

"What do you think the nation's economy will do in the last half of the year—rise, level off or turn down?" finds 140 executives looking for a gain, 84 predicting a leveling off and 39 forecasting a decline.

"What are you looking for this year in the way of sales or volume for your business in comparison to last year?" draws this response: 209 see increases; 34, the same level; and 20, a drop.

"How will profits compare to 1973?" shows 172 businessmen predicting higher profits for their firms, while 51 see declines and 40 expect about the same level of profitability.

"Now that wage-price controls are off the economy completely, what do you expect inflation to do?" Nearly all, 252, think inflation will be as bad as it is now or get even worse. Only

13 executives expect the cost of living to decline.

In another lopsided tally, 233 say unions will be tougher to deal with now, while 26 say No. The question: "Do you think unions will be more truculent in their contract demands?"

"Do you think unemployment will go up or down in the remainder of the year?" shows 125 predicting joblessness will rise, 76 foreseeing little change and 63 expecting a decline.

"Are the energy situation and materials shortages still plaguing your business?" finds 201 executives answering Yes, while 59 say No.

And to the question, "Are you planning capital investment increases or decreases?" 142 report they are hiking this type of spending, 71 state theirs will stay at about the same level while 44 say they plan to cut back.

"We think the economy will rise in the second half," says A. Byron Reed, president of Munsingwear, Inc.,



"The most encouraging thing about the economy is steady demand in the face of shortage of capacity in most basic industries," says Robert B. Semple, of Wyandotte, Mich., chairman of BASF Wyandotte Corp. Inflation is the major economic worry, he believes.



Harry Heltzer, chairman of the 3M Co., St. Paul, Minn., thinks capital spending is the economy's most positive sign, while slowdowns in housing and the auto industry are particular drags. He looks for inflation to level off in the coming six months.



F. Ritter Shumway, honorary chairman of Sybron Corp., Rochester, N.Y., predicts Sybron's sales will be up 16 per cent, and its profits will increase about 20 per cent, this year over last. Inflation will "rise somewhat, level off, and then decline somewhat," he believes.



Richard L. Jones, president of the Tulsa Tribune Co., Tulsa, Okla., says the economy's brightest side is that "many jobs are waiting for those who will work." His firm is completing a heavy capital investment program. The inflation rate, he thinks, will "continue to rise, but then lessen."

Minneapolis, Minn. Mr. Reed thinks his company's 1974 sales will move up about 10 per cent over 1973 while profits will rise 10 to 15 per cent. "Inflation will level off and recede in due time," he says. As for materials shortages, they "affect us to a slight degree." However, he adds, "materials are available at a price."

High, but lower

Philip H. Burdett, president of Remington Arms Co., Bridgeport, Conn., thinks inflation "will continue at a higher rate than we are used to, but not as high as for the last few months." He looks for a "relatively slowly" rising economy with sales gains of 15 to 20 per cent for his firm.

James J. McTernan Jr., vice president-finance of Communications Satellite Corp., Washington, D.C., feels the economy will be level for the rest of 1974, but looks for higher sales and profits for his company. He sees increases in capital expenditures as

the brightest spot in the economy, while finding inflation the darkest.

"Inflation will continue at a high pace in the second quarter," remarks J. Henry Smith, chairman of The Equitable Life Assurance Society of the United States, New York City. "But the rate of rise should decelerate significantly by year-end." Expecting the economy to pick up some steam in the second half, Mr. Smith sees its most encouraging aspect at present as "the apparently determined stance of the Federal Reserve against 'double-digit' inflation."

Charles E. Drury, president of Hayes-Albion Corp., Jackson, Mich., predicts his firm's July 31 fiscal year sales will be up 8 per cent, while profits will drop about 5 per cent. The rate of inflation should slack off to 6 per cent, he thinks. "The removal of wage and price controls is the best news for the economy," Mr. Drury comments.

"The federal government's preoccu-

pation with Watergate is a negative."

"Inflation will increase initially and then return to an annual rate of approximately 7 per cent," forecasts J.F. O'Brien, vice president-finance of Crane Co., New York City. Expecting a general leveling off in the economy, Mr. O'Brien predicts a 10 per cent growth in Crane's sales and a substantial hike in profits, based on first quarter results and the current backlog. Crane's capital investment program will be reduced this year since the diversified firm completed a \$220 million capital investment program last year.

Free-spending consumers

"The spending attitude of consumers is the most positive sign in the economy," writes Robert E. Ullman, director of control of The Toro Co., Minneapolis, Minn. "They seem to want the products regardless of cost. Least encouraging is the next round of price and wage increases." Mr.



H.V. Wilson, vice president for finance of McCormick & Co., Inc., Hunt Valley, Md., sees inflation in the 10 per cent range now that controls are off. He looks for sales gains of 15 per cent and profit increases of 12 per cent for his firm this year. Unemployment, he says, will hold at its current level.



"Shortages of various materials, such as plastics, certain metals and packaging materials, are still a problem," comments Theodore F. Brophy, president of General Telephone & Electronics Corp., Stamford, Conn. The firm's planned capital spending is up 6 per cent.



"We expect little, if any growth in real GNP through the end of the year," says C. Coleman McGehee, chairman of First & Merchants Corp., Richmond, Va. "There's a distinct possibility of an actual decline." Mr. McGehee thinks inflation will be in the 8-to-10 per cent range.



Andrew McNally IV, newly elected president of Rand McNally & Co., Skokie, Ill., sees "nothing encouraging" about the economy, with inflation the darkest spot. He predicts sales gains of 10 per cent, and a profit jump of 25 per cent, for his firm over '73.

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While easing somewhat, shortages and cost rises of raw materials "are still impacting many areas of our business," reports Robert Anderson, president of Rockwell International Corp., El Segundo, Calif. He sees a rising economy in the remainder of the year.



"Economic activity is in the leveling-off stage now," comments Willard C. Butcher, president of The Chase Manhattan Bank, New York City. "Growth should resume by late summer or early fall." He foresees a slowdown in "the rate of increase in consumer prices."



"Labor negotiations will be extremely difficult, resulting in many strikes, and wage agreements will be unreasonably high," believes E.P. Berg, president of Bucyrus-Erie Co., South Milwaukee, Wisc. He looks for a stable employment rate in the second half.



W.L. Van Dyke, president of Havatampa Cigar Corp., Tampa, Fla., looks for the economy to level off in the second half while inflation also cools off. He thinks his firm's sales will be 10 per cent above the '73 level, and its profits "slightly" up.

Ullman sees sales for Toro, which makes lawn care and institutional playground equipment, as up 20 to 25 per cent this year. Profits also will gain, he says.

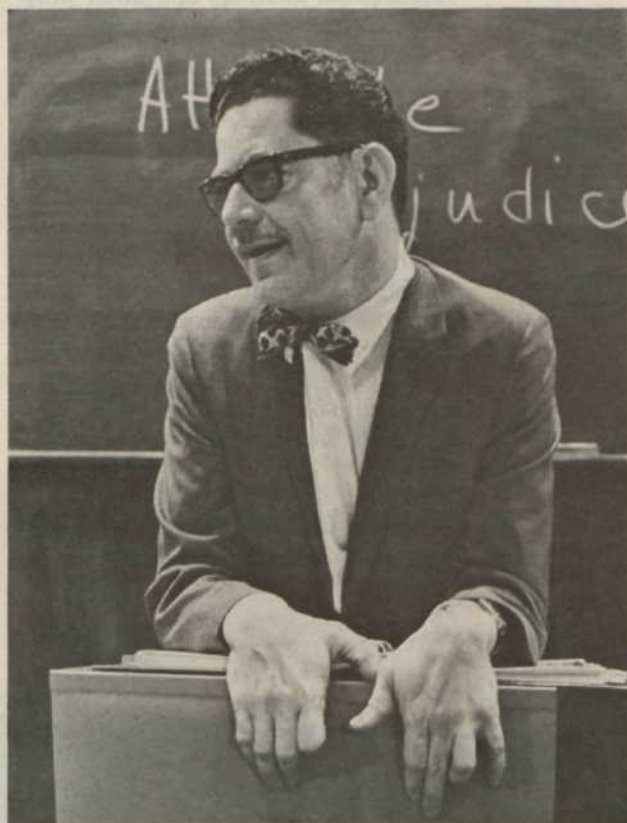
"Loans were up in the first half of the year, but they will be down in the second half," comments Frank Spinner, senior vice president, First National Bank, St. Louis, Mo. But the bank's profits should show a 12 to 15 per cent gain. "Inflation should spurt up and then begin a slow decline in the second half of the year," Mr. Spinner thinks. "The lack of leadership" and inflation are most damaging to the economy now, he says.

George C. Williams, president of GTI Corp., Pittsburgh, Pa., doesn't feel labor unions will necessarily be

tougher to deal with this year—"not in general. I think they'll pay more attention to cost of living escalator clauses." He sees a rising economy, with his corporation's sales up 40 per cent and profits gaining by 45 per cent.

Harold Werhane, chairman of Culligan International Co., Northbrook, Ill., says the least encouraging aspect for the economy is a "lack of credibility and morality at all levels of government. The result is that there is terrible confusion." He thinks inflation will continue in the second half at its present rate as the economy levels off. Culligan, a maker of water conditioning equipment, plans a "relatively small increase" in capital spending this year. **END**

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A Better Way to Spend Billions?

The revenue sharing program is such stuff as politicians' dreams are made of—a way to get funds without taxing or borrowing—but is it really worthwhile?

New York City put the first \$258 million it got under the program into police, fire, sanitation and mass transit services for its population of nearly eight million.

Maricopa County, Ariz., is putting \$4.6 million into roads, hospitals, recreational facilities and other projects to serve its 970,000 people.

Woodruff, S.C., headed off a financial crisis and a tax increase by using a big chunk of its \$158,000 to repay bank loans. The community of 4,690 had money left over to build a fence and install lights at its baseball park, as well as to buy new police cars and a garbage truck.

The money in each case has come from the federal government through general revenue sharing, under which a whopping \$30.2 billion is being distributed to 38,000 state and local governments in quarterly payments for the period Jan. 1, 1972 to Dec. 31, 1976.

Before the cutoff date, Congress will decide whether to continue the

program and, if so, in what form.

The program was embroiled in controversy when it was enacted in 1972, and these days, at its halfway point, it still is.

New Orleans Mayor Moon Landrieu, a leader in a campaign that rallied grass roots support behind revenue sharing, calls it "the most significant urban legislation to emerge from Congress in this century."

He told NATION'S BUSINESS: "For many cities, it has meant survival. For others, it's provided breathing space—time to reorganize their affairs and seek permanent ways to avoid financial crisis."

But Rep. George Mahon (D.-Texas), chairman of the House Appropriations Committee, is an outspoken critic of the way Congress approved the full five-year appropriation in one vote. In bypassing the established appropriation process, he complains, Congress gave up the chance for an annual review of revenue shar-



ing to determine how it is working.

And he emphasizes a point he made when the program was enacted over his objections: The revenue sharing bill did not "raise one penny of revenue" to be shared.

Other critics have this to say about general revenue sharing:

- During the five years in which the federal government will have handed out \$30 billion to state and local governments, it will have gone more than \$100 billion deeper into the red, so it is actually sharing highly inflationary deficits while the total national debt climbs past a half-trillion dollars.
- Rather than transferring decision-making power from Washington back to local officials, as it was supposed to do, revenue sharing is making them even more dependent on the central government by substituting federal largesse for local determination on services vs. taxes.
- The program breaches a cardinal principle of representative govern-

ment—that those with authority to determine how public money is spent should have the responsibility for raising that money.

- Communities' financial gains from revenue sharing have been eroded by cutbacks in other forms of federal aid, and therefore they are not really benefiting from the extra dollars as much as federal statements of revenue sharing disbursements make it appear.

"Santa four times a year"

President Nixon went to Philadelphia's Independence Hall to sign the State and Local Fiscal Assistance Act of 1972, and at the ceremony linked revenue sharing in historical significance with the Declaration of Independence, the Constitution and the Bill of Rights.

As those documents created the federal system, he said, revenue sharing could be the vehicle for renewing it and for restoring power to the people.

This would be done, he said, by giving the state and local governments authority to decide how to spend large amounts of money collected by the federal government. Officials making the decisions would be more accessible to the taxpayer than decision-makers in the faceless bureaucracy of Washington.

Government and private researchers and analysts are now bumping into each other as they scurry about the country trying to determine how the program is working. How is it working?

The program, which some state and local officials reportedly look on as "Santa Claus four times a year," is administered by the Office of Revenue Sharing, an agency set up in the Treasury Department.

Two thirds of the money goes to localities, one third to state governments.

It is allocated under two formulas and the recipients use the formula that means the most money for them.

One is based on population, per capita income and levels of tax collections. Areas with low per capita income and high "tax effort" receive more than those with high per capita income and low tax effort.

The other formula contains the same population, income and tax effort factors but adds two more—the extent of urbanization and whether or not there is a state income tax.

These general rules apply:

- States may use revenue sharing income for any lawful purpose but cannot substitute it for state funds used in programs of financial aid to localities.
- Local governments must use the money for "priority" purposes—for any necessary capital construction, and for operating and maintenance expenses in the areas of environmental protection, financial management, health, libraries, public safety, transportation, recreation and services for the poor and/or aged.
- No recipient may use the money to match funds coming from Washington under other programs of federal aid to states and localities.
- If revenue sharing finances 25 per cent or more of a construction project, the federal Davis-Bacon Act requiring payment of "prevailing"

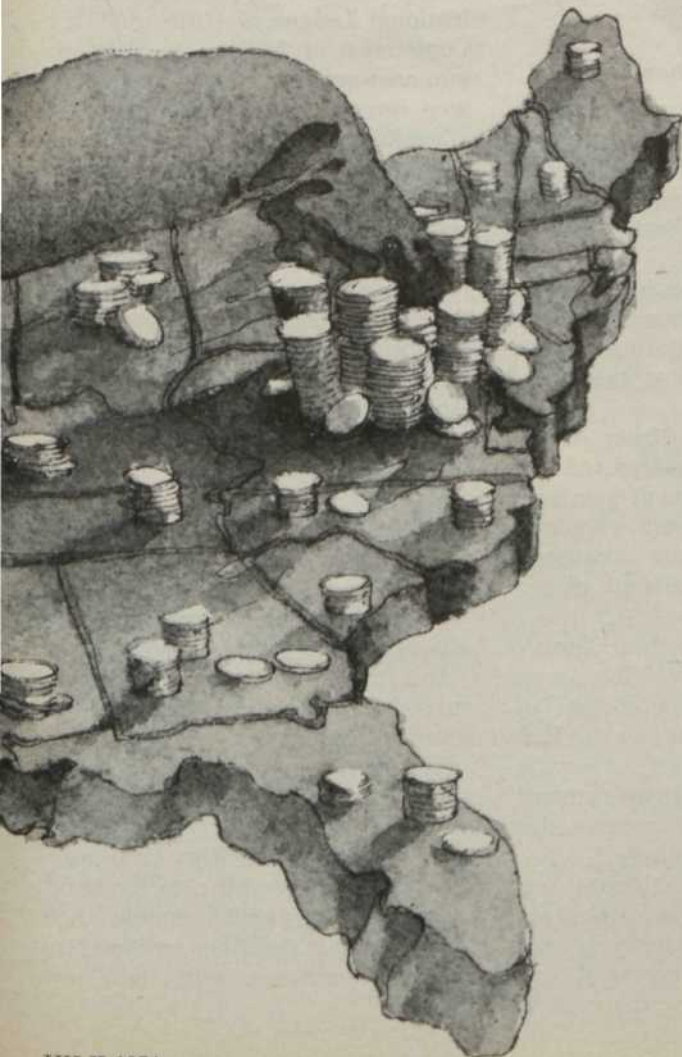


ILLUSTRATION: JOHN HEINLY

A Better Way to Spend Billions? *continued*

wage rates in the area must apply.

The discretion allowed under revenue sharing was welcomed by state and local officials long used to struggling with so-called categorical federal grants, which allocate sums to specific governments—a city government or a school district, for example—for specific projects. Usually, a long, complicated application process is involved, plus review after review in the labyrinths of the Washington bureaucracy and close federal scrutiny to see that the money is spent for the grant's narrowly defined purpose.

Even the loose restrictions on general revenue sharing are "illusory," the General Accounting Office says.

Where the money goes

That agency, Congress' watchdog over federal spending, made a survey of the program and reports that local governments receiving revenue sharing money can do pretty much what they want with it thanks to "displacement." This, it explains, is the assigning of revenue sharing funds to the purposes specified by federal law while using locally raised funds, that ordinarily would have gone to those purposes, for other things.

The federal money is being distributed rapidly.

Scrawled in chalk on a blackboard at the Office of Revenue Sharing in Washington is a report that \$12.7 billion has been sent out to state and local governments. Under that notation is an explanation: "There are as many \$ in \$1 billion as there are seconds in 36 years."

Those dollars have been used in varying ways.

According to an initial report from the Office of Revenue Sharing, on the basis of responses to a survey of state and local governments, most of the state money has gone towards education—about 65 per cent. The balance has been scattered among other uses, including transportation, 5 per cent, and health, 3 per cent. The report disclosed that 94 per cent of the money has been spent for operating and maintenance purposes.

Counties, meanwhile, have spent 25 per cent of their funds for public transportation, 23 per cent for public safety, 15 per cent for multipurpose/

general government and 12 per cent for health. Counties are the only government units to have put a larger proportion of their funds into capital items—56 per cent—than into operating and maintenance expenditures.

Cities have spent their share in a wide-ranging fashion, according to the report. Forty-four per cent has gone into public safety, 15 per cent into transportation and 13 per cent into environmental protection.

Townships have used 33 per cent for public safety, 32 per cent for transportation and 9 per cent for environmental protection.

About half of the 32,665 government units responding to the survey said revenue sharing was easing the pressure on taxes—particularly the property tax.

"We have made a measurable impact upon the skyrocketing increase in local and state taxes, particularly property taxes," says Graham W. Watt, director of the Office of Revenue Sharing.

Supplement or substitute?

But the actual extent of benefits from revenue sharing remains in dispute among many state and local officials because of reductions in the categorical grants of earlier federal aid programs.

The Advisory Commission on Intergovernmental Relations, a federal agency which is monitoring the impact of revenue sharing, has heard conflicting views.

While 19 officials from states, counties and cities supported the concept at Commission-sponsored panel discussions, most expressed disappointment that cuts in categorical aid followed the advent of revenue sharing.

"The cuts in grants have been a most troublesome thing," says James Martin, deputy director of the National Governors' Conference. Revenue sharing has not been a supplement to state and local governments' income, he adds, but instead "has turned out to be a substitute."

Commissioner Gil Barrett of Dougherty County, Ga., disagrees: "It is unfair to link general revenue sharing directly to proposed cutbacks in federal aid programs. It

seems likely these cuts . . . would have been proposed even if revenue sharing had not been enacted. . . . [They] were directly related to the Administration's concern about inflation and the national debt."

Another complaint—by some—is that the poor and minority groups have received a disproportionately small share of revenue sharing funds.

Donald W. Lief, director of the Washington-based National Clearinghouse on Revenue Sharing—formed by the League of Women Voters, the Center for Community Change, the National Urban Coalition and the Center for National Policy Review—says some interest groups have been highly effective at obtaining funds. But, he adds, "other groups, such as the aged, the poor, tenants and moderate income people, who traditionally looked toward Washington, are behind the eight ball."

However, Stephen T. Honey, counsel for federal relations to the National League of Cities and U.S. Conference of Mayors in Washington, answers that mayors have never seen revenue sharing as "created to alleviate the problem of poverty" but have seen it "as a way to operate services for all citizens—rich or poor."

While the arguments continue over various aspects of revenue sharing, there is agreement on one point: The money has become such an important element in state and local governments' fiscal planning that they can be expected to bring heavy pressure on Congress to keep it flowing after 1976.

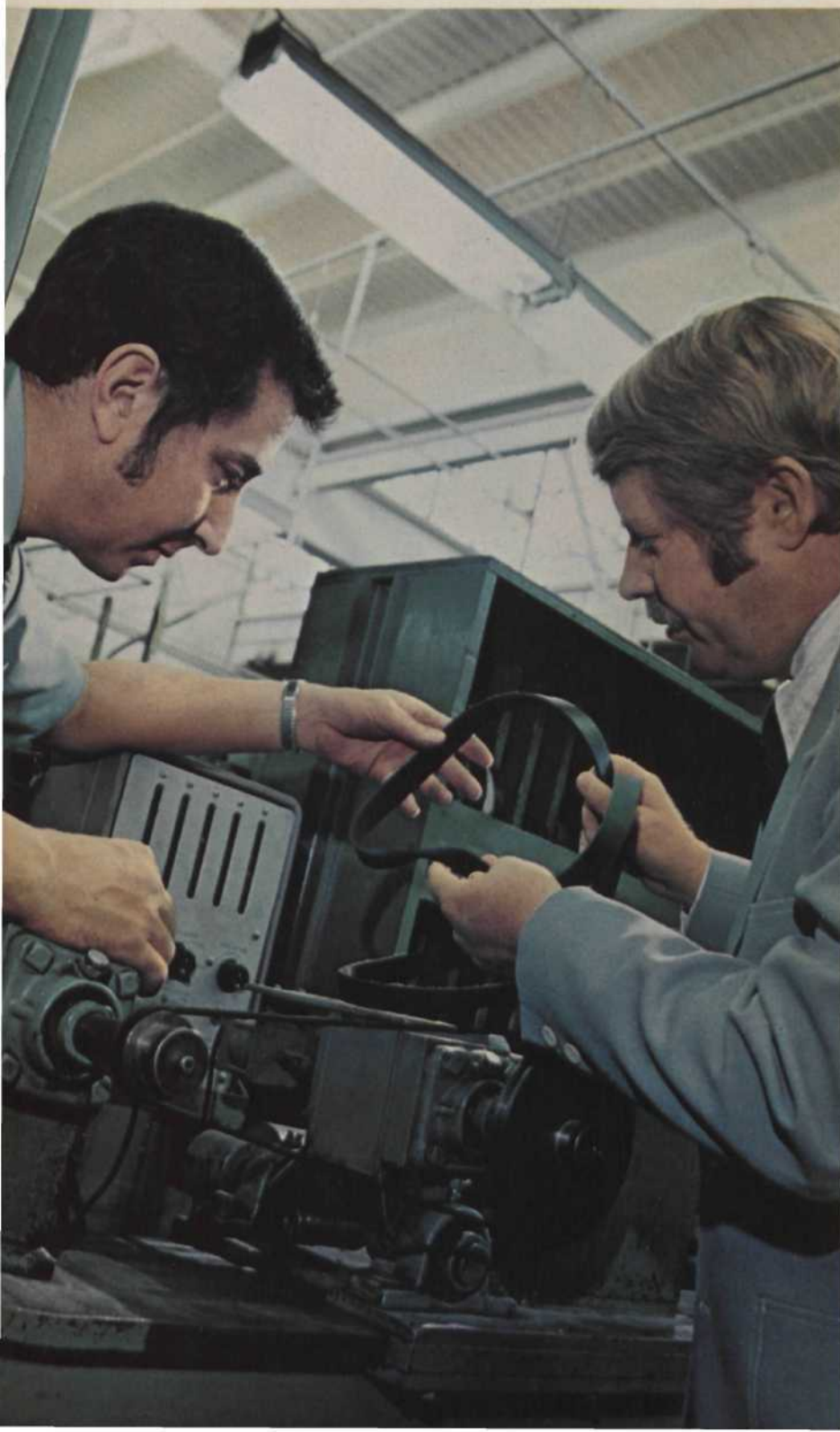
Graham Watt says that if recipients use the money competently, in ways that respond to public needs, "the program will be considered for expansion and continuation."

But that consideration will raise anew basic questions about general revenue sharing:

Has it truly returned decision-making authority to state and local governments?

Or has it made them even more dependent on Washington for handouts—handouts which enable them to avoid tough decisions on matching their expenditures with their own incomes? END

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what readers want to know

Is it true that the new Treasury Secretary, William Simon, and Budget Director Roy Ash have become bitter enemies?

It's not all that bad, although there unquestionably is a good deal of friction in their relationship. Both are capable, aggressive men with strong personalities who conducted a shoving match to take over former Treasury Secretary George Shultz' spot as No. 1 economic adviser to the President. Neither got it. Instead, President Nixon pulled a surprise. He reached into the State Department for the second-in-command there, Kenneth Rush, his old Duke University law professor, and made him the top man on economic matters.

Will Congress pass a national health bill this year?

Chances are very slim. The subject is a massive one involving such questions as higher Social Security taxes (complaints are growing that they are already too high), an escalating national debt and availability of additional medical personnel. Interest in a national health plan is keen, however, with dozens of bills featuring many approaches to health care awaiting action in both the House and Senate. Still, it's doubtful that Congress, already facing the prospect of prolonged impeachment proceedings as well as reelection campaigns, will want to commit the time and effort needed for enacting landmark health legislation this year.

Did Earl Warren move back to California after he retired as Chief Justice a few years ago?

No. In fact, he and Mrs. Warren continue to live in the same Washington apartment hotel he moved into in 1953 when he was appointed to the Supreme Court. Chief Justice Warren, still in relatively good health at 83, is busy writing his memoirs, both at his apartment and in an office he retained at the Supreme Court building. His account of the 16 years he headed the controversial "Warren Court" should be interesting.



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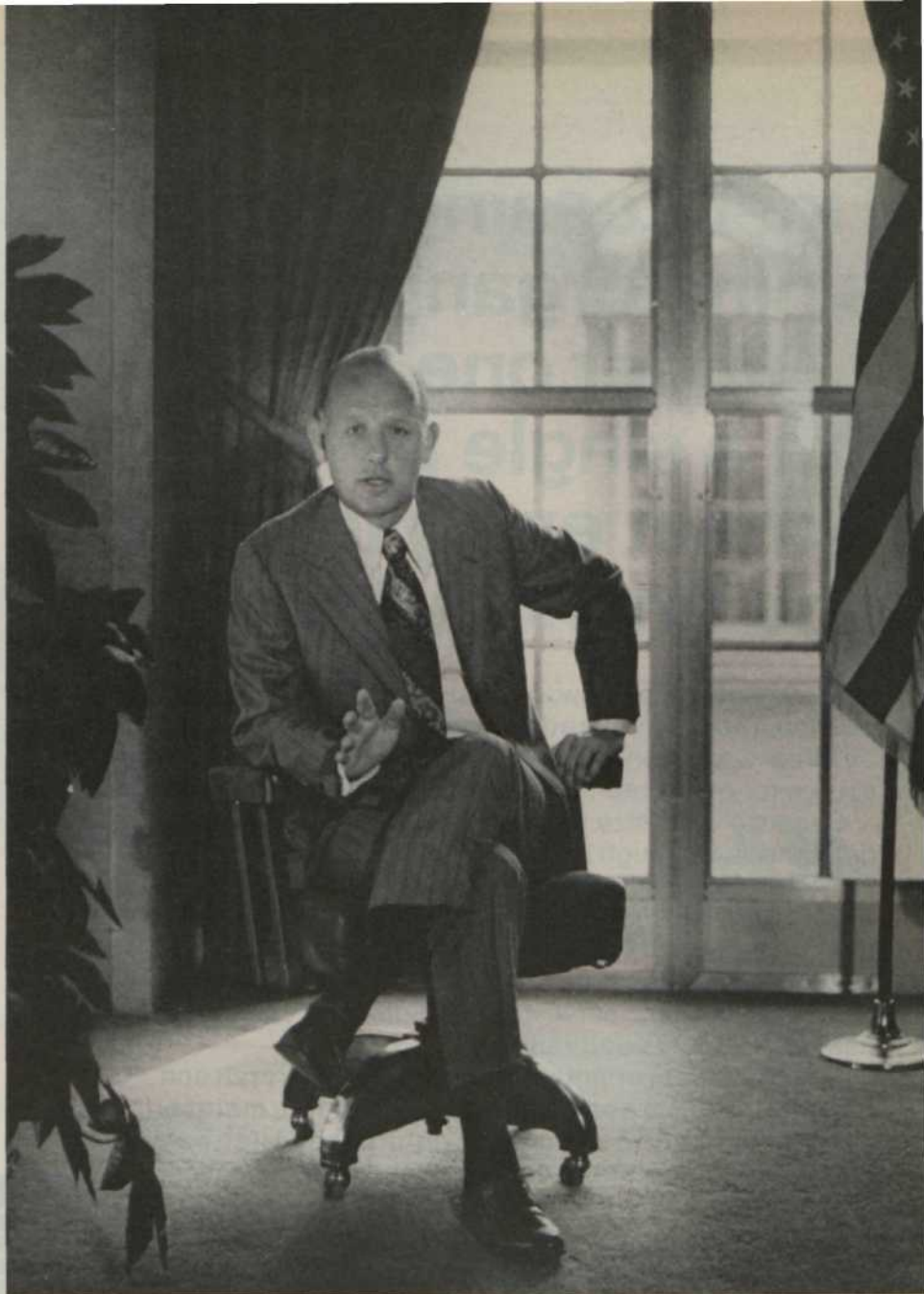
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NB-7

Should You Take That Job in Washington?

Robert F. Froehlke, who has been there himself, discusses the need for businessmen in government's upper reaches, and some of the hurdles they face



The businessman doing a government stint, says Mr. Froehlke, "may come to work sober at 7 every morning and stay until 7 every night, but you will never read that in the paper. It isn't news."

Watergate poses a significant executive recruiting problem for the federal government, according to businessman Robert F. Froehlke, a former Secretary of the Army.

He fears, he says, that "too many people from the business community who would otherwise readily accept jobs in Washington are refusing to do so."

Mr. Froehlke, then a member of the law faculty at the University of Wisconsin, came to Sentry Insurance Co., Stevens Point, Wisc., in 1951 to join its legal department. In 1959 he

became executive vice president, a spot he held for 10 years.

Although never a political candidate himself, he had managed campaigns for a friend, Rep. Melvin Laird (R.-Wisc.), and when Mr. Laird became Secretary of Defense in 1969, Mr. Froehlke was brought aboard as an Assistant Secretary, to serve as a manager and troubleshooter. Two and a half years later, he was named Army Secretary. He left that post in 1973 for the presidency of Sentry Corp., the holding company for Sentry Insurance.

Last winter, Mr. Froehlke, 51, who had been noncontroversial at the Pentagon, took a highly controversial position before a House subcommittee. He surprised a lot of people by advocating amnesty for Viet Nam-era draft evaders, provided they perform some sort of alternative service.

Earlier, when he served in Washington, he ran into a few surprises himself. He discusses them in the following interview—in which he gives advice to the businessman contemplating taking a government post like the ones he held.

in view of Watergate, do you recommend government service?

As an obligation, certainly, but also as a wonderful experience. Most importantly, I recommend it because service is what makes this country work—people doing their stint for a period of time.

The fact that this Administration is apparently having difficulty finding good people who will serve in Washington is of great concern to me, because—more than ever—this government needs good people to serve.

Did you know what lay in store for you when you came to Washington?

I knew where the Capitol, the Smithsonian, the Washington Monument and the White House were. I was completely ignorant of the bureaucracy.

I honestly believed I was a knight on a charging steed. I was excited, enthused and convinced I was truly doing something important for my country.

Would you say that most businessmen who take federal jobs are generally naive about the government organization?

Not only naive, but ignorant about the bureaucracy. It's not like business. When you get to the top in a business you're very familiar with the job, the industry and the people. But every four or eight years in Washington the entire upper layer of managers is removed and the bureaucrats have to conduct a training program for the new political appointees.

Should there be a formal training program for political appointees?

I can't see devising a workable training program that in a short period could do an effective job of preparing you for the real world of government.

It's definitely an on-the-job training program. You're going to have a period of from two to five months, at least, where the bureaucracy is running the part of the government that you're supposed to be running.

Then you should prepare yourself for a learning period?

And extreme frustration. Most people who come to Washington have a success pattern, a record of accomplishments, behind them in their own fields and they come to the capital confident they are going to make a contribution. Then the first thing they learn is that they don't know what's going on, and this frustrates them until they start finding the right handles.

What should be the No. 1 priority for a new management team in government?

The development of mutual trust between the careerists and the political appointees. They don't have to be buddies, but they must respect each other.

At the same time, you must develop mutual trust among the political appointees within a Department. Most of them are strangers who arrive in Washington from widely varying geographical, social and professional backgrounds. Mel Laird, as Defense Secretary, and Dave Packard, as Deputy Secretary, did a superb job in the development of mutual trust on their Pentagon team.

Whatever time and effort it takes to build mutual trust is worth it—and it must be given first priority.

What about the personal and family aspects—how much assistance can be expected?

Don't expect any. It's a cinch that the stay in Washington is going to be disruptive. And it's particularly difficult initially if you don't have personal wealth. For example, you have to maintain two homes, for a while anyway. It's all worth it, but at the very least government service requires a financial sacrifice.

Specifically?

Take the problem of moving. Any business would say to an executive: "We're going to move you." But the government didn't move me to Washington. Most businesses will give you a month's salary to cover the added expenses incidental to the move, but

the federal government doesn't pay anything for the political appointee. I don't say it necessarily should.

What kind of expense account can be expected?

The barest minimum. I was amazed.

For months I did most of the job of interviewing for Mel Laird and Dave Packard to find people for the management team in the Defense Department. When an interview ended around lunchtime I would ask that person to have lunch with me, assuming there was an expense account that would pick up the tab. And the businessman I was interviewing assumed the same thing, I'm sure.

No way—I had to pick up those tabs personally when they came in. Again, I'm not sure it wasn't for the best, but it was a switch.

But there is some sort of red carpet treatment, isn't there?

To a certain extent, yes. Here is where you have to maintain your perspective.

You must keep in mind that the social treatment and the appurtenances, such as a limousine, you receive are given to you because of the position you hold—and not because you are such a great American.

It's difficult for you, eventually, if you don't recognize that. Limousines, helicopters and 707's serve political appointees. And most of these nice things are going to stop abruptly the day you walk off that job.

At first blush you begin to think that people were insincere, that they were just using you. But that wasn't the case at all. People were doing nice things for you because of the job you held.

It's a shock when that limousine is no longer waiting for you and those invitations stop coming.

Is Washington one grand round of cocktail parties, embassy receptions and intimate Georgetown dinners?

Of course it can be, but I personally don't see how any conscientious manager could live that life and do

Should You Take That Job in Washington? *continued*

his job. In my particular case at the Pentagon, there was no way you could do your job and not put in 12 to 14 hours a day.

If you're taking a job in Washington, get ready to work. I observed quite quickly how long the hours were and I questioned whether we were playing games and trying to impress someone, or trying to impress ourselves. I came away convinced, however, that it takes 12 to 14 hours a day, five days a week and a half day on Saturday, to do the job right.

This must require an understanding wife.

Not only an understanding wife, an understanding family. The good things that happen when you serve government—and I don't just mean the appurtenances, but the excitement, the satisfaction—all happen to the individual, and to his wife *sometimes*. Family life does suffer.

I would say to the individual who doesn't have a good, solid family relationship that he should seriously consider the situation before coming

to Washington, because Washington isn't the place in which to try to regain a family relationship. You are sorely testing it there almost daily.

What about the media—the spotlight?

In business, most of us, at least, know that we're mortal and that we're going to make honest mistakes. That's how you gain experience. We're expected to make mistakes in business, although we're not expected to repeat them.

But get ready when you come to Washington. You can't stand up and say: "Yep, that was a boo-boo, an honest error. I learned from it and it's not going to happen again."

The press, and properly so, is going to tell everybody about it and imply, at best, stupidity and, at worst, dishonesty. Get ready for it because it hits you right in the pit of the stomach. No one, you'll find, is waiting to tell you what a good job you've done.

So be prepared to live a little dangerously?

As Harry Truman said, "If you can't stand the heat, stay out of the kitchen."

Look, all of us are terribly concerned about what our children are going to read in the paper about their father.

None of us wants our kids to read that their father is a dummy or, worse than that, a crook.

But in government you have to prepare your wife and kids by saying: "Your old man is going to probably make it into the papers, not because he worked hard, not because he tried hard, but because he made a mistake."

You may come to work sober at 7 every morning and stay until 7 every night, but you will never read that in the papers. That isn't news.

Aside from personal satisfaction, what do you consider the largest plus for the individual who takes one of these key Washington jobs?

Confidence. I can't imagine any manager at any level doing a good job if he isn't confident. The man who lacks confidence is going to make terribly conservative decisions; he can't be innovative; he is headed for an ulcer, at best.

If a man comes to Washington for any period of time and—with all of the challenges there—doesn't make too many boo-boos, it's got to help his confidence.

People are cynical today about government and politics. What needs to be done to restore credibility?

One of the things needed is to convince the American public that good people are indeed serving in Washington. To do this, everyone in a top federal government job should keep in mind that an important part of his job is communication with the public. That's his obligation.

He must hold press conferences, let the stockholders—the public—see him and learn how he thinks. Then, I think, credibility will be restored.

Go to the people?

Go to the people.

When silence reigns, so does ignorance. **END**

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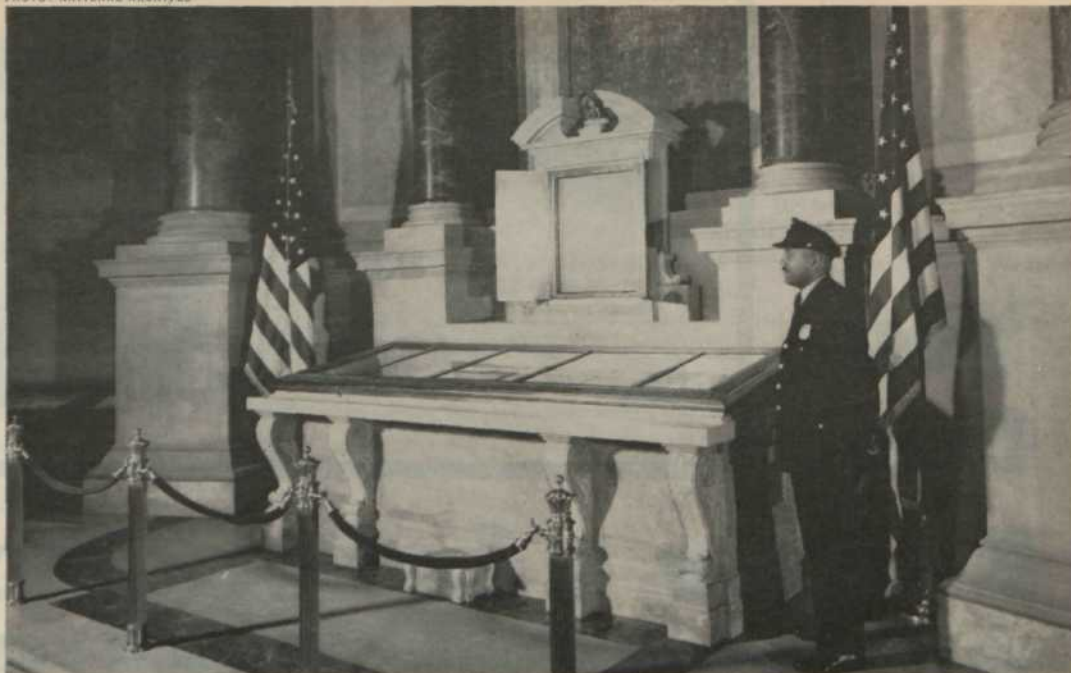
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The original Constitution is on display at the National Archives in Washington.

As the nation points toward the 200th anniversary of its independence, the Constitution, a remarkable document which is the foundation for its laws and has played a vital role in shaping its character, endures.

Most Americans read at least some of the Constitution at an early age—the words of the preamble and discussions of the Bill of Rights ring out in primary and secondary schools across the land, and there is further discussion higher up the educational ladder. Few, though, bother to read the Constitution again, even in part, once their schooling is done.

However, this document, adopted in convention in 1787, ratified the next year and amended again and again, profoundly affects all of us every day of our lives. For this reason, and because of the insight offered into the thinking of the Founding Fathers and later American leaders about the protection of liberty and the pursuit of happiness, *Nation's Business* reprints the Constitution in full.

ANOTHER AMENDMENT IN THE WORKS

In addition to the 26 amendments now part of the Constitution, Congress has approved a 27th, dealing with women's rights.

A total of 33 state legislatures have voted approval, with 38 needed for ratification. Of the 33, however, two have since rescinded their endorsements—Nebraska and Tennessee. Backers of the amendment claim that the reversals are invalid and that the number of approvals still stands at 33. The question could wind up in the courts.

When and if approved, the amendment would add this language to the Constitution:

1. Equality of rights under the law shall not be denied or abridged by the United States or by any state on account of sex.
2. The Congress shall have the power to

enforce, by appropriate legislation, the provisions of this article.

3. This amendment shall take effect two years after the date of ratification.

REPRINTS of "The Constitution of the United States" may be obtained from *Nation's Business*, 1615 H St. N.W., Washington, D.C. 20006. Price: \$1 per copy.

The Constitution of the United States

WE THE PEOPLE of the United States, in Order to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defence, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this Constitution for the United States of America.

ARTICLE I

[Establishment of Congress]

SECTION 1. All legislative Powers herein granted shall be vested in a Congress of the United States, which shall consist of a Senate and House of Representatives.

SECTION 2. The House of Representatives shall be composed of Members chosen every second Year by the People of the several States, and the Electors in each State shall have the Qualifications requisite for Electors of the most numerous Branch of the State Legislature.

No Person shall be a Representative who shall not have attained to the Age of twenty five Years, and been seven Years a Citizen of the United States, and who shall not, when elected, be an Inhabitant of that State in which he shall be chosen.

Representatives and direct Taxes shall be apportioned among the several States which may be included within this Union, according to their respective Numbers, which shall be determined by adding to the whole Number of free Persons, including those bound to Service for a Term of Years, and excluding Indians not taxed, three fifths of all other Persons. The actual Enumeration shall be made within three Years after the first Meeting of the Congress of the United States, and within every subsequent Term of ten Years, in such Manner as they shall by Law direct. The Number of Representatives shall not exceed one for every thirty Thousand, but each State shall have at Least one Representative; and until such enumeration shall be made, the State of New Hampshire shall be entitled to chuse three, Massachusetts eight, Rhode-Island and Providence Plantations one, Connecticut five, New-York six, New Jersey four, Pennsylvania eight, Delaware one, Maryland six, Virginia ten, North Carolina five, South Carolina five, and Georgia three.

When vacancies happen in the Representation from any State, the Executive Authority thereof shall issue Writs of Election to fill such Vacancies.

The House of Representatives shall chuse their speaker and other Officers; and shall have the sole Power of Impeachment.

SECTION 3. The Senate of the United States shall be

composed of two Senators from each State, chosen by the Legislature thereof, for six Years; and each Senator shall have one Vote.

Immediately after they shall be assembled in Consequence of the first Election, they shall be divided as equally as may be into three Classes. The Seats of the Senators of the first Class shall be vacated at the Expiration of the second Year, of the second Class at the Expiration of the fourth Year, and of the third Class at the Expiration of the sixth Year, so that one third may be chosen every second Year; and if Vacancies happen by Resignation, or otherwise, during the Recess of the Legislature of any State, the Executive thereof may make temporary Appointments until the next Meeting of the Legislature, which shall then fill such Vacancies.

No person shall be a Senator who shall not have attained to the Age of thirty years, and been nine Years a Citizen of the United States, and who shall not, when elected, be an Inhabitant of that State for which he shall be chosen.

The Vice President of the United States shall be President of the Senate, but shall have no Vote, unless they be equally divided.

The Senate shall chuse their other Officers, and also a President pro tempore, in the Absence of the Vice President, or when he shall exercise the Office of President of the United States.

The Senate shall have the sole Power to try all Impeachments. When sitting for that Purpose, they shall be on Oath or Affirmation. When the President of the United States is tried the Chief Justice shall preside: And no Person shall be convicted without the Concurrence of two thirds of the Members present.

Judgment in Cases of Impeachment shall not extend further than to removal from Office, and disqualification to hold and enjoy any Office of honor, Trust or Profit under the United States: but the Party convicted shall nevertheless be liable and subject to Indictment, Trial, Judgment and Punishment, according to law.

SECTION 4. The Times, Places and Manner of holding Elections for Senators and Representatives, shall be prescribed in each State by the Legislature thereof; but the Congress may at any time by Law make or alter such Regulations, except as to the Places of chusing Senators.

The Congress shall assemble at least once in every Year, and such Meeting shall be on the first Monday in December, unless they shall by Law appoint a different Day.

SECTION 5. Each House shall be the Judge of the Elections, Returns and Qualifications of its own Members,

The Constitution *continued*

and a Majority of each shall constitute a Quorum to do Business; but a smaller Number may adjourn from day to day, and may be authorized to compel the Attendance of absent Members, in such Manner, and under such Penalties as each House may provide.

Each House may determine the Rules of its Proceedings, punish its Members for disorderly Behaviour, and, with the Concurrence of two thirds, expel a Member.

Each House shall keep a Journal of its Proceedings, and from time to time publish the same, excepting such Parts as may in their Judgment require Secrecy; and the Yeas and Nays of the Members of either House on any question shall, at the Desire of one fifth of those Present, be entered on the Journal.

Neither House, during the Session of Congress, shall, without the Consent of the other, adjourn for more than three days, nor to any other Place than that in which the two Houses shall be sitting.

SECTION 6. The Senators and Representatives shall receive a Compensation for their Services, to be ascertained by Law, and paid out of the Treasury of the United States. They shall in all Cases, except Treason, Felony and Breach of the Peace, be privileged from Arrest during their Attendance at the Session of their respective Houses, and in going to and returning from the same; and for any Speech or Debate in either House, they shall not be questioned in any other Place.

No Senator or Representative shall, during the Time for which he was elected, be appointed to any civil Office under the Authority of the United States, which shall have been created, or the Emoluments whereof shall have been increased during such time; and no Person holding any Office under the United States, shall be a Member of either House during his Continuance in Office.

SECTION 7. All Bills for raising Revenue shall originate in the House of Representatives; but the Senate may propose or concur with Amendments as on other Bills.

Every Bill which shall have passed the House of Representatives and the Senate, shall, before it become a Law, be presented to the President of the United States; If he approve he shall sign it, but if not he shall return it, with his Objections to that House in which it shall have originated, who shall enter the Objections at large on their Journal, and proceed to reconsider it. If after such Reconsideration two thirds of that House shall agree to pass the Bill, it shall be sent, together with the Objections, to the other House, by which it shall likewise be reconsidered, and if approved by two thirds of that House, it shall become a Law. But in all such Cases the Votes of both Houses shall be determined by yeas and Nays, and the Names of the Persons voting for and against the Bill shall be entered on the Journal of each House respectively. If any Bill shall not be returned by the President within ten Days (Sundays excepted) after it shall have been presented to him, the Same shall be a Law, in like Manner as if he had signed it, unless the Congress by their Adjournment prevent its Return, in which Case it shall not be a Law.

Every Order, Resolution, or Vote to which the Concurrence of the Senate and House of Representatives may be necessary (except on a question of Adjournment) shall be presented to the President of the United States; and before the Same shall take Effect,

shall be approved by him, or being disapproved by him, shall be repassed by two thirds of the Senate and House of Representatives, according to the Rules and Limitations prescribed in the Case of a Bill.

SECTION 8. The Congress shall have Power To lay and collect Taxes, Duties, Imposts and Excises, to pay the Debts and provide for the common Defence and general Welfare of the United States; but all Duties, Imposts and Excises shall be uniform throughout the United States;

To Borrow Money on the Credit of the United States;

To regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes;

To establish an uniform Rule of Naturalization, and uniform Laws on the subject of Bankruptcies throughout the United States;

To coin Money, regulate the Value thereof, and of foreign Coin, and fix the Standard of Weights and Measures;

To provide for the Punishment of counterfeiting the Securities and current Coin of the United States;

To establish Post Offices and post Roads;

To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries;

To constitute Tribunals inferior to the supreme Court;

To define and punish Piracies and Felonies committed on the high Seas, and Offences against the Law of Nations;

To declare War, grant Letters of Marque and Reprisal, and make Rules concerning Captures on Land and Water;

To raise and support Armies, but no Appropriation of Money to that Use shall be for a longer Term than two Years;

To provide and maintain a Navy;

To make Rules for the Government and Regulation of the land and naval Forces;

To provide for calling forth the Militia to execute the Laws of the Union, suppress Insurrections and repel Invasions;

To provide for organizing, arming, and disciplining, the Militia, and for governing such Part of them as may be employed in the Service of the United States, reserving to the States respectively, the Appointment of the Officers, and the Authority of training the Militia according to the discipline prescribed by Congress;

To exercise exclusive Legislation in all Cases whatsoever, over such District (not exceeding ten Miles square) as may, by Cession of particular States, and the Acceptance of Congress, become the Seat of the Government of the United States, and to exercise like Authority over all Places purchased by the Consent of the Legislature of the State in which the Same shall be for the Erection of Forts, Magazines, Arsenals, dock-Yards, and other needful Buildings;—And

To make all Laws which shall be necessary and proper for carrying into Execution the foregoing Powers, and all other Powers vested by this Constitution in the Government of the United States, or in any Department or Officer thereof.

SECTION 9. The Migration or Importation of such Per-

sons as any of the States now existing shall think proper to admit, shall not be prohibited by the Congress prior to the Year one thousand eight hundred and eight, but a Tax or duty may be imposed on such Importation, not exceeding ten dollars for each Person.

The Privilege of the Writ of Habeas Corpus shall not be suspended, unless when in Cases of Rebellion or Invasion the public Safety may require it.

No Bill of Attainder or ex post facto Law shall be passed.

No Capitation, or other direct, Tax shall be laid, unless in Proportion to the Census or Enumeration herein before directed to be taken.

No Tax or Duty shall be laid on Articles exported from any State.

No Preference shall be given by any Regulation of Commerce or Revenue to the Ports of one State over those of another: nor shall Vessels bound to, or from, one State, be obliged to enter, clear, or pay Duties in another.

No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law; and a regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time.

No Title of Nobility shall be granted by the United States: And no Person holding any Office of Profit or Trust under them, shall, without the Consent of the Congress, accept of any present, Emolument, Office, or Title, of any kind whatever, from any King, Prince, or foreign State.

SECTION 10. No State shall enter into any Treaty, Alliance, or Confederation; grant Letters of Marque and Reprisal; coin Money; emit Bills of Credit; make any Thing but gold and silver Coin a Tender in Payment of Debts; pass any Bill of Attainder, ex post facto Law, or Law impairing the Obligation of Contracts, or grant any Title of Nobility.

No State shall, without the Consent of the Congress, lay any Imposts or Duties on Imports or Exports, except what may be absolutely necessary for executing its inspection Laws: and the net Produce of all Duties and Imposts, laid by any State on Imports or Exports, shall be for the Use of the Treasury of the United States; and all such Laws shall be subject to the Revision and Controul of the Congress.

No State shall, without the Consent of Congress, lay any Duty of Tonnage, keep Troops, or Ships of War in time of Peace, enter into any Agreement or Compact with another State, or with a foreign Power, or engage in War, unless actually invaded, or in such imminent Dangers as will not admit of delay.

ARTICLE II

[Establishment of the Presidency]

SECTION 1. The executive Power shall be vested in a President of the United States of America. He shall hold his Office during the Term of four Years, and, together with the Vice President, chosen for the same Term, be elected, as follows

Each State shall appoint, in such Manner as the Legislature thereof may direct, a Number of Electors, equal to the whole Number of Senators and Representatives to which the State may be entitled in the Congress: but no Senator or Representative, or Person

holding an Office of Trust or Profit under the United States, shall be appointed an Elector.

The Electors shall meet in their respective States, and vote by Ballot for two Persons, of whom one at least shall not be an Inhabitant of the same State with themselves. And they shall make a List of all the Persons voted for, and of the Number of Votes for each; which List they shall sign and certify, and transmit sealed to the Seat of the Government of the United States, directed to the President of the Senate. The President of the Senate shall, in the Presence of the Senate and House of Representatives, open all the Certificates, and the votes shall then be counted. The Person having the greatest Number of Votes shall be the President, if such Number be a Majority of the whole Number of Electors appointed; and if there be more than one who have such Majority, and have an equal Number of Votes, then the House of Representatives shall immediately chuse by Ballot one of them for President: and if no Person have a Majority, then from the five highest on the List the said House shall in like Manner chuse the President. But in chusing the President, the Votes shall be taken by States, the Representation from each State having one Vote; a quorum for this Purpose shall consist of a Member or Members from two thirds of the States, and a Majority of all the States shall be necessary to a Choice. In every Case, after the Choice of the President, the Person having the greatest Number of Votes of the Electors shall be the Vice President. But if there should remain two or more who have equal Votes, the Senate shall chuse from them by Ballot the Vice President.

The Congress may determine the Time of chusing the Electors, and the Day on which they shall give their Votes; which Day shall be the same throughout the United States.

No Person except a natural born Citizen, or a Citizen of the United States, at the time of the Adoption of this Constitution, shall be eligible to the Office of President; neither shall any Person be eligible to that Office who shall not have attained to the Age of thirty five Years, and been fourteen Years a Resident within the United States.

In Case of the Removal of the President from Office, or of his Death, Resignation, or Inability to discharge the Powers and Duties of the said Office, the Same shall devolve on the Vice President, and the Congress may by Law provide for the Case of Removal, Death, Resignation or Inability, both of the President and Vice President, declaring what Officer shall then act as President, and such Officer shall act accordingly, until the Disability be removed, or a President shall be elected.

The President shall, at stated Times, receive for his Services, a Compensation, which shall neither be increased nor diminished during the Period for which he shall have been elected, and he shall not receive within that Period any other Emolument from the United States, or any of them.

Before he enter on the Execution of his Office, he shall take the following Oath or Affirmation:—"I do solemnly swear (or affirm) that I will faithfully execute the Office of President of the United States, and will to the best of my Ability, preserve, protect and defend the Constitution of the United States."

SECTION 2. The President shall be Commander in Chief of the Army and Navy of the United States, and

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of the Militia of the several States, when called into the actual Service of the United States; he may require the Opinion, in writing, of the principal Officer in each of the executive Departments, upon any Subject relating to the Duties of their respective Offices, and he shall have Power to grant Reprieves and Pardons for Offences against the United States, except in Cases of Impeachment.

He shall have Power, by and with the Advice and Consent of the Senate, to make Treaties, provided two thirds of the Senators present concur; and he shall nominate, and by and with the Advice and Consent of the Senate, shall appoint Ambassadors, other public Ministers and Consuls, Judges of the supreme Court, and all other Offices of the United States, whose Appointments are not herein otherwise provided for, and which shall be established by Law: but the Congress may by Law vest the Appointment of such inferior Officers, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments.

The President shall have Power to fill up all Vacancies that may happen during the Recess of the Senate, by granting Commissions which shall expire at the End of their next Session.

SECTION 3. He shall from time to time give to the Congress Information of the State of the Union, and recommend to their Consideration such Measures as he shall judge necessary and expedient; he may, on extraordinary Occasions, convene both Houses, or either of them, and in Case of Disagreement between them, with Respect to the Time of Adjournment, he may adjourn them to such Time as he shall think proper; he shall receive Ambassadors and other public Ministers; he shall take Care that the Laws be faithfully executed, and shall Commission all the Officers of the United States.

SECTION 4. The President, Vice President and all civil Officers of the United States, shall be removed from Office on Impeachment for, and Conviction of, Treason, Bribery, or other High Crimes and Misdemeanors.

ARTICLE III

[Powers of courts]

SECTION 1. The judicial Power of the United States, shall be vested in one supreme Court, and in such inferior Courts as the Congress may from time to time ordain and establish. The Judges, both of the supreme and inferior Courts, shall hold their Offices during good Behaviour, and shall, at stated Times, receive for their Services, a Compensation, which shall not be diminished during their Continuance in Office.

SECTION 2. The judicial Power shall extend to all Cases, in Law and Equity, arising under this Constitution, the Laws of the United States, and Treaties made, or which shall be made, under their Authority;—to all Cases affecting Ambassadors, other public Ministers and Consuls;—to all Cases of admiralty and maritime Jurisdiction;—to Controversies to which the United States shall be a Party;—to Controversies between two or more States; between a State and Citizens of another State;—between Citizens of different States;—between Citizens of the same State claiming Lands under Grants of different States, and between a State, or the Citizens thereof, and foreign States, Citizens or Subjects.

In all Cases affecting Ambassadors, other public Ministers and Consuls, and those in which a State shall be Party, the supreme Court shall have original Jurisdiction. In all the other Cases before mentioned, the supreme Court shall have appellate Jurisdiction, both as to Law and Fact, with such Exceptions, and under such Regulations as the Congress shall make.

The Trial of all Crimes, except in Cases of Impeachment, shall be by Jury; and such Trial shall be held in the State where the said Crimes shall have been committed; but when not committed within any State, the Trial shall be at such Place or Places as the Congress may by Law have directed.

SECTION 3. Treason against the United States, shall consist only in levying War against them, or in adhering to their Enemies, giving them Aid and Comfort. No Person shall be convicted of Treason unless on the Testimony of two Witnesses to the same overt Act, or on Confession in open Court.

The Congress shall have Power to declare the Punishment of Treason, but no Attainder of Treason shall work Corruption of Blood, or Forfeiture except during the Life of the Person attainted.

ARTICLE IV

[Recognition of states]

SECTION 1. Full Faith and Credit shall be given in each State to the public Acts, Records, and judicial Proceedings of every other State. And the Congress may by general Laws prescribe the Manner in which such Acts, Records and Proceedings shall be proved, and the Effect thereof.

SECTION 2. The Citizens of each State shall be entitled to all Privileges and Immunities of Citizens in the several States.

A Person charged in any State with Treason, Felony, or other Crime, who shall flee from Justice, and be found in another State, shall on Demand of the executive Authority of the State from which he fled, be delivered up, to be removed to the State having Jurisdiction of the Crime.

No Person held to Service or Labour in one State, under the Laws thereof, escaping into another, shall, in Consequence of any Law or Regulation therein, be discharged from such Service or Labour, but shall be delivered up on Claim of the Party to whom such Service or Labour may be due.

SECTION 3. New States may be admitted by the Congress into this Union; but no new State shall be formed or erected within the Jurisdiction of any other State; nor any State be formed by the Junction of two or more States, or Parts of States, without the Consent of the Legislatures of the States concerned as well as of the Congress.

The Congress shall have Power to dispose of and make all needful Rules and Regulations respecting the Territory or other Property belonging to the United States; and nothing in this Constitution shall be so construed as to Prejudice any Claims of the United States, or of any particular State.

SECTION 4. The United States shall guarantee to every State in this Union a Republican Form of Government, and shall protect each of them against Invasion;

and on Application of the Legislature, or of the Executive (when the Legislature cannot be convened) against domestic Violence.

ARTICLE V

[Amendment procedure]

The Congress, whenever two thirds of both Houses shall deem it necessary, shall propose Amendments to this Constitution, or, on the Application of the Legislatures of two thirds of the several States, shall call a Convention for proposing Amendments, which, in either Case, shall be valid to all Intents and Purposes, as Part of this Constitution, when ratified by the Legislatures of three fourths of the several States, or by Conventions in three fourths thereof, as the one or the other Mode of Ratification may be proposed by the Congress; Provided that no Amendment which may be made prior to the Year One thousand eight hundred and eight shall in any Manner affect the first and fourth Clauses in the Ninth Section of the first Article; and that no State, without its Consent, shall be deprived of its equal Suffrage in the Senate.

ARTICLE VI

[Law of the land]

All Debts contracted and Engagements entered into, before the Adoption of this Constitution, shall be as valid against the United States under this Constitution, as under the Confederation.

This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding.

The Senators and Representatives before mentioned, and the Members of the several State Legislatures, and all executive and judicial Officers, both of the United States and of the several States, shall be bound by Oath or Affirmation, to support this Constitution; but no religious Test shall ever be required as a Qualification to any Office or public Trust under the United States.

ARTICLE VII

[Ratification requirement]

The Ratification of the Conventions of nine States, shall be sufficient for the Establishment of this Constitution between the States so ratifying the Same.

Amendments

[The first 10 Amendments were ratified Dec. 15, 1791, and form what is known as the "Bill of Rights."]

Amendment 1

[Freedom of religion, speech, press]

Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise there-

of; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances.

Amendment 2

[Right to bear arms]

A well regulated Militia, being necessary to the security of a free State, the right of people to keep and bear Arms, shall not be infringed.

Amendment 3

[Forced quartering prohibited]

No Soldier shall, in time of peace be quartered in any house, without the consent of the Owner, nor in time of war, but in a manner to be prescribed by law.

Amendment 4

[Unreasonable search outlawed]

The right of the people to be secure in their persons, houses, papers, and effects, against unreasonable searches and seizures, shall not be violated, and no Warrants shall issue, but upon probable cause, supported by Oath or affirmation, and particularly describing the place to be searched, and the persons or things to be seized.

Amendment 5

[Grand jury provided]

No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a Grand Jury, except in cases arising in the land or naval forces, or in the Militia, when in actual service in time of War or public danger; nor shall any person be subject for the same offence to be twice put in jeopardy of life or limb; nor shall be compelled in any criminal case to be a witness against himself, nor be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation.

Amendment 6

[Speedy trial required]

In all criminal prosecutions, the accused shall enjoy the right to a speedy and public trial, by an impartial jury of the State and district wherein the crime shall have been committed, which district shall have been previously ascertained by law, and to be informed of the nature and cause of the accusation; to be confronted with the witnesses against him; to have compulsory process for obtaining witnesses in his favor, and to have the Assistance of Counsel for his defence.

Amendment 7

[Jury right]

In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law.

Amendment 8

[Punishments limited]

Excessive bail shall not be required, nor excessive

The Constitution *continued*

finer imposed, nor cruel and unusual punishments inflicted.

Amendment 9

[*Other rights*]

The enumeration in the Constitution, of certain rights, shall not be construed to deny or disparage others retained by the people.

Amendment 10

[*Powers reserved*]

The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people.

Amendment 11

(Ratified Feb. 7, 1795)

[*Limitation on courts*]

The Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State.

Amendment 12

(Ratified July 27, 1804)

[*Election procedure*]

The Electors shall meet in their respective states and vote by ballot for President and Vice-President, one of whom, at least, shall not be an inhabitant of the same state with themselves; they shall name in their ballots the person voted for as President, and in distinct ballots the person voted for as Vice-President, and they shall make distinct lists of all persons voted for as President, and of all persons voted for as Vice-President, and of the number of votes for each, which lists they shall sign and certify, and transmit sealed to the seat of the government of the United States, directed to the President of the Senate;—The President of the Senate shall, in the presence of the Senate and House of Representatives, open all the certificates and the votes shall then be counted;—The person having the greatest number of votes for President, shall be the President, if such number be a majority of the whole number of Electors appointed; and if no person have such majority, then from the persons having the highest numbers not exceeding three on the list of those voted for as President, the House of Representatives shall choose immediately, by ballot, the President. But in choosing the President, the votes shall be taken by states, the representation from each state having one vote; a quorum for this purpose shall consist of a member or members from two-thirds of the states, and a majority of all the states shall be necessary to a choice. And if the House of Representatives shall not choose a President whenever the right of choice shall devolve upon them, before the fourth day of March next following, then the Vice-President shall act as President, as in the case of the death or other constitutional disability of the President.—The person having the greatest number of votes as Vice-President, shall be the Vice-President, if such number be a majority of the whole number of Electors appointed, and if no person have a majority, then from the two highest

numbers on the list, the Senate shall choose the Vice-President; a quorum for the purpose shall consist of two-thirds of the whole number of Senators, and a majority of the whole number shall be necessary to a choice. But no person constitutionally ineligible to the office of President shall be eligible to that of Vice-President of the United States.

Amendment 13

(Ratified Dec. 6, 1865)

[*Slavery abolished*]

SECTION 1. Neither slavery nor involuntary servitude, except as a punishment for crime whereof the party shall have been duly convicted, shall exist within the United States, or any place subject to their jurisdiction.

SECTION 2. Congress shall have power to enforce this article by appropriate legislation.

Amendment 14

(Ratified July 9, 1868)

[*Equal rights*]

SECTION 1. All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States and of the State wherein they reside. No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws.

SECTION 2. Representatives shall be apportioned among the several States according to their respective numbers, counting the whole number of persons in each State, excluding Indians not taxed. But when the right to vote at any election for the choice of electors for President and Vice President of the United States, Representatives in Congress, the Executive and Judicial officers of a State, or the members of the Legislature thereof, is denied to any of the male inhabitants of such State, being twenty-one years of age, and citizens of the United States, or in any way abridged, except for participation in rebellion, or other crime, the basis of representation therein shall be reduced in the proportion which the number of such male citizens shall bear to the whole number of male citizens twenty-one years of age in such State.

SECTION 3. No person shall be a Senator or Representative in Congress, or elector of President and Vice President, or hold any office, civil or military, under the United States, or under any State, who, having previously taken an oath, as a member of Congress, or as an officer of the United States, or as a member of any State legislature, or as an executive or judicial officer of any State, to support the Constitution of the United States, shall have engaged in insurrection or rebellion against the same, or given aid or comfort to the enemies thereof. But Congress may by a vote of two-thirds of each House, remove such disability.

SECTION 4. The validity of the public debt of the United States, authorized by law, including debts incurred for payment of pensions and bounties for services in suppressing insurrection or rebellion, shall

not be questioned. But neither the United States nor any State shall assume or pay any debt or obligation incurred in aid of insurrection or rebellion against the United States, or any claim for the loss or emancipation of any slave; but all such debts, obligations and claims shall be held illegal and void.

SECTION 5. The Congress shall have power to enforce, by appropriate legislation, the provisions of this article.

Amendment 15

(Ratified Feb. 3, 1870)

[*Right to vote*]

SECTION 1. The right of citizens of the United States to vote shall not be denied or abridged by the United States or by any State on account of race, color, or previous condition of servitude.

SECTION 2. The Congress shall have power to enforce this article by appropriate legislation.

Amendment 16

(Ratified Feb. 3, 1913)

[*Income tax authorized*]

The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration.

Amendment 17

(Ratified April 8, 1913)

[*Election of Senators*]

The Senate of the United States shall be composed of two Senators from each State, elected by the people, thereof for six years; and each Senator shall have one vote. The electors in each State shall have the qualifications requisite for electors of the most numerous branch of the State legislatures.

When vacancies happen in the representation of any State in the Senate, the executive authority of such State shall issue writs of election to fill such vacancies: *Provided*, That the legislature of any State may empower the executive thereof to make temporary appointments until the people fill the vacancies by election as the legislature may direct.

This amendment shall not be so construed as to affect the election or term of any Senator chosen before it becomes valid as part of the Constitution.

Amendment 18

(Ratified Jan. 16, 1919)

[*Prohibition*]

SECTION 1. After one year from the ratification of this article the manufacture, sale, or transportation of intoxicating liquors within, the importation thereof into, or the exportation thereof from the United States and all territory subject to the jurisdiction thereof for beverage purposes is hereby prohibited.

SECTION 2. The Congress and the several States shall have concurrent power to enforce this article by appropriate legislation.

SECTION 3. This article shall be inoperative unless it shall have been ratified as an amendment to the Constitution by the legislatures of the several States, as provided in the Constitution, within seven years from

the date of the submission hereof to the States by the Congress.

Amendment 19

(Ratified Aug. 18, 1920)

[*Vote for women*]

The right of citizens of the United States to vote shall not be denied or abridged by the United States or by any State on account of sex.

Congress shall have power to enforce this article by appropriate legislation.

Amendment 20

(Ratified Jan. 23, 1933)

[*Presidential, Congressional terms*]

SECTION 1. The terms of the President and Vice President shall end at noon on the 20th day of January, and the terms of Senators and Representatives at noon on the 3d day of January, of the years in which such terms would have ended if this article had not been ratified; and the terms of their successors shall then begin.

SECTION 2. The Congress shall assemble at least once in every year, and such meeting shall begin at noon on the 3d day of January, unless they shall by law appoint a different day.

SECTION 3. If, at the time fixed for the beginning of the term of the President, the President elect shall have died, the Vice President elect shall become President. If a President shall not have been chosen before the time fixed for the beginning of his term, or if the President elect shall have failed to qualify, then the Vice President elect shall act as President until a President shall have qualified; and the Congress may by law provide for the case wherein neither a President elect nor a Vice President elect shall have qualified, declaring who shall then act as President, or the manner in which one who is to act shall be selected, and such person shall act accordingly until a President or Vice President shall have qualified.

SECTION 4. The Congress may by law provide for the case of the death of any of the persons from whom the House of Representatives may choose a President whenever the right of choice shall have devolved upon them, and for the case of the death of any of the persons from whom the Senate may choose a Vice President whenever the right of choice shall have devolved upon them.

SECTION 5. Sections 1 and 2 shall take effect on the 15th day of October following the ratification of this article.

SECTION 6. This article shall be inoperative unless it shall have been ratified as an amendment to the Constitution by the legislatures of three-fourths of the several States within seven years from the date of its submission.

Amendment 21

(Ratified Dec. 5, 1933)

[*Prohibition repealed*]

SECTION 1. The eighteenth article of amendment to

The Constitution *continued*

the Constitution of the United States is hereby repealed.

SECTION 2. The transportation or importation into any State, Territory, or possession of the United States for delivery or use therein of intoxicating liquors, in violation of the laws thereof, is hereby prohibited.

SECTION 3. This article shall be inoperative unless it shall have been ratified as an amendment to the Constitution by conventions in the several States, as provided in the Constitution, within seven years from the date of the submission hereof to the States by the Congress.

Amendment 22

(Ratified Feb. 27, 1951)

[Two terms for President]

SECTION 1. No person shall be elected to the office of the President more than twice, and no person who has held the office of President, or acted as President, for more than two years of a term to which some other person was elected President shall be elected to the office of the President more than once. But this Article shall not apply to any person holding the office of President when this Article was proposed by the Congress, and shall not prevent any person who may be holding the office of President, or acting as President, during the term within which this Article becomes operative from holding the office of President or acting as President during the remainder of such term.

SECTION 2. This article shall be inoperative unless it shall have been ratified as an amendment to the Constitution by the legislatures of three-fourths of the several States within seven years from the date of its submission to the States by the Congress.

Amendment 23

(Ratified March 29, 1961)

[Electors for the District of Columbia]

SECTION 1. The District constituting the seat of Government of the United States shall appoint in such manner as the Congress may direct:

A number of electors of President and Vice President equal to the whole number of Senators and Representatives in Congress to which the District would be entitled if it were a State, but in no event more than the least populous State; they shall be in addition to those appointed by the States, but they shall be considered, for the purposes of the election of President and Vice President, to be electors appointed by a State; and they shall meet in the District and perform such duties as provided by the twelfth article of amendment.

SECTION 2. The Congress shall have power to enforce this article by appropriate legislation.

Amendment 24

(Ratified Jan. 23, 1964)

[Barring poll tax in federal elections]

SECTION 1. The right of citizens of the United States to vote in any primary or other election for President or Vice President, for electors for President or Vice President, or for Senator or Representative in Congress, shall not be denied or abridged by the United States or any State by reason of failure to pay any poll tax or other tax.

SECTION 2. The Congress shall have power to enforce this article by appropriate legislation.

Amendment 25

(Ratified Feb. 10, 1967)

[Presidential disability and succession]

SECTION 1. In case of the removal of the President from office or of his death or resignation, the Vice President shall become President.

SECTION 2. Whenever there is a vacancy in the office of the Vice President, the President shall nominate a Vice President who shall take office upon confirmation by a majority vote of both houses of Congress.

SECTION 3. Whenever the President transmits to the President pro tempore of the Senate and the Speaker of the House of Representatives his written declaration that he is unable to discharge the powers and duties of his office, and until he transmits to them a written declaration to the contrary, such powers and duties shall be discharged by the Vice President as Acting President.

SECTION 4. Whenever the Vice President and a majority of either the principal officers of the executive departments or of such other body as Congress may by law provide, transmit to the President pro tempore of the Senate and the Speaker of the House of Representatives their written declaration that the President is unable to discharge the powers and duties of his office, the Vice President shall immediately assume the powers and duties of the office as Acting President.

Thereafter, when the President transmits to the President pro tempore of the Senate and the Speaker of the House of Representatives his written declaration that no inability exists, he shall resume the powers and duties of his office unless the Vice President and a majority of either the principal officers of the executive department or of such other body as Congress may by law provide, transmit within four days to the President pro tempore of the Senate and the Speaker of the House of Representatives their written declaration that the President is unable to discharge the powers and duties of his office. Thereupon Congress shall decide the issue, assembling within forty-eight hours for that purpose if not in session. If the Congress, within twenty-one days after receipt of the latter written declaration, or, if Congress is not in session, within twenty-one days after Congress is required to assemble, determines by two-thirds vote of both houses that the President is unable to discharge the powers and duties of his office, the Vice President shall continue to discharge the same as Acting President; otherwise, the President shall resume the powers and duties of his office.

Amendment 26

(Ratified June 30, 1971)

[Lowering voting age]

SECTION 1. The right of citizens of the United States, who are 18 years of age or older, to vote shall not be denied or abridged by the United States or any State on account of age.

SECTION 2. The Congress shall have the power to enforce this article by appropriate legislation.

This Month's Guest Economist **Dr. William C. Freund**

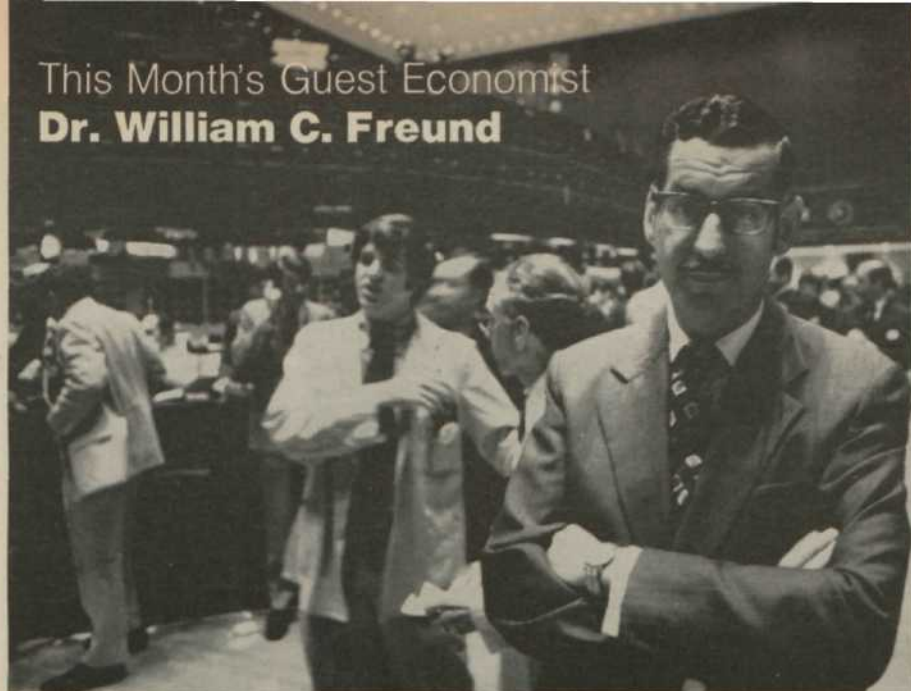


PHOTO: WERNER WOLFF

Dr. Freund, vice president and chief economist of the New York Stock Exchange, advises Exchange officials on policy issues and economic trends.

A Secure Market for Securities

New York Stock Exchange Chairman James J. Needham recently told a blue-ribbon audience of financial executives about one of their number who growled about pending securities legislation: "Well, if Congress wants to zap the brokers, that's no skin off my nose."

That comment reflected high-level corporate nonchalance about legislation that could have a profound impact on how all listed corporate stocks are traded.

A bill recently passed by the Senate—and a more complex measure moving through the House—would mandate the creation of a national securities market system. The idea is to link all trading in listed securities in a vast communications network that, hopefully, would give public investors near-instantaneous information on stock prices and sales.

So far so good.

The problem arises from an independent decision by the Securities and Exchange Commission to end fixed commission rates on all securities transactions after April 30, 1975.

This, too, may be a good idea. But the economic forces unleashed by price competition in brokerage services could restructure the way securities are traded—quite apart from any legislation—and intensify prob-

lems faced by corporate financial executives.

At the NYSE, we see a logical chain of events that could bring scores of corporations under domination of the big investing institutions. Here is a brief summary of the scenario, as we see it.

A staggering corporate need for investment capital can be expected in the decade to 1985—some \$3.3 trillion, according to one responsible, but possibly conservative, estimate. Where will that money come from?

Economists are all too well aware that American corporations are already heavily in debt—and there are limits, in terms of conventional debt-to-equity and interest-to-earnings ratios, to how much more they can borrow. Besides, inflation is severely compressing the power of retained earnings in financing growth.

Unless the equity markets can help plug the gap between capital demand and capital supply, current murmurs about a capital shortfall may become shouts. The broad economic impact of a major capital shortage could be substantial—quite apart from its effect on the fortunes of individual corporations.

The critical question for corporate management, therefore, has nothing to do with whether a changeover to

competitive securities commission rates will help one brokerage firm to prosper or cause another to go out of business. It is whether the securities industry is going to be healthy enough to play a key role in helping corporations raise the vast amounts of capital needed to fuel the economy.

Over the past quarter-century, U.S. corporations have been very successful in obtaining the use of large amounts of investment capital from the American people. Despite the lumps the market has given them in the past few years, the NYSE estimates that some 31 million individual Americans currently own shares of corporate stock and mutual funds. This is nearly five times the number estimated a generation ago. Investors seem to retain an underlying confidence that the existing securities market system in this country—whatever its imperfections—works for them.

They recognize, for example, that the two-way auction process on the stock exchanges—made up of bids to buy and offers to sell the stocks of listed companies—is centered in a marketplace where they can obtain the best sale or purchase price available at any given moment.

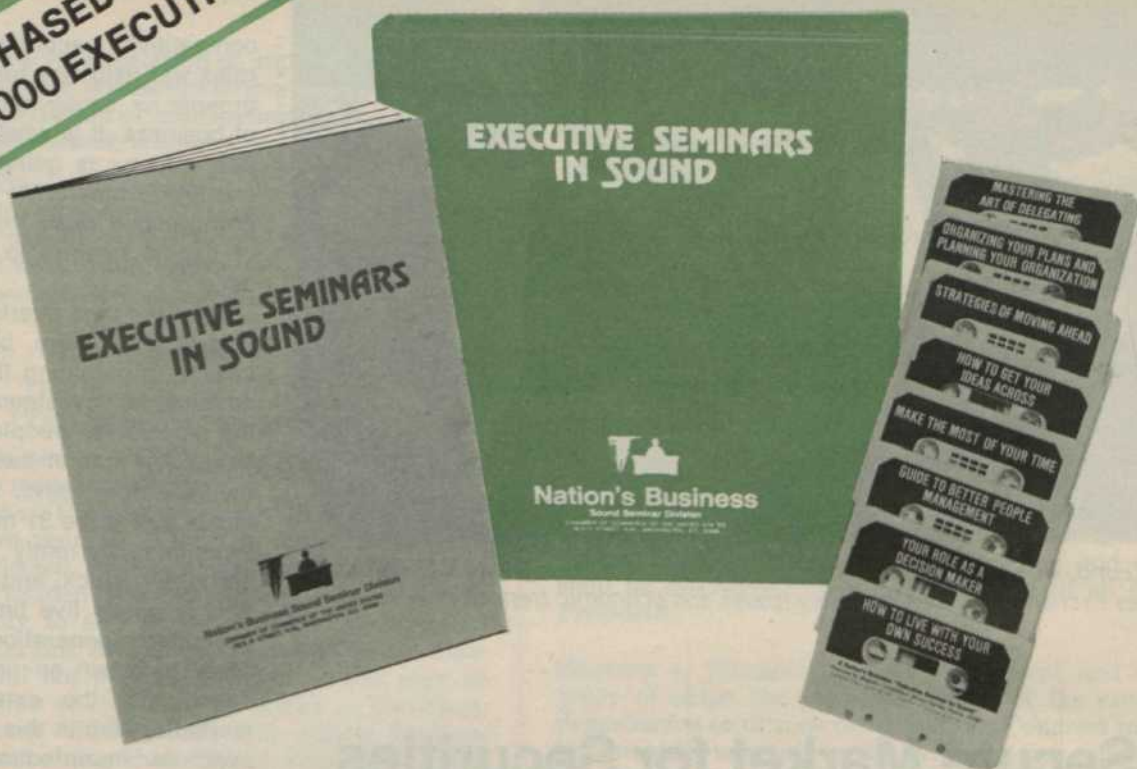
Proponents of competitive commission rates insist that the changeover from a rigid rate schedule will mean dollar savings to investors and will encourage them to participate in the market. Maybe so.

But there is little doubt that unless the change is accompanied by safeguards that preserve the public securities auction markets, millions of individual investors will face a new dealer-oriented market system that may be inhospitable—if not hostile—to their needs and wishes.

Without effective safeguards, many brokers—and particularly large firms with big inventories of active stocks—could find it advantageous to abandon the brokerage business and restructure themselves as independent securities dealers. This would enable them to buy and sell directly from their own inventories, instead of taking customers' orders in listed stocks to the exchange auction markets.

A dealer market necessarily weakens the securities pricing process,

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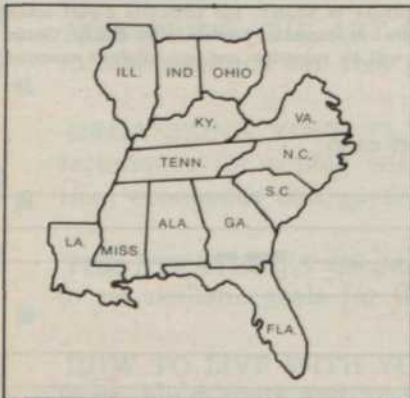
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This Month's Guest Economist *continued*

since in it there must always be a dealer on one side of each trade who earns his income by maintaining a spread between his bids to buy and his offers to sell.

Also, in such an environment, individual investors' ability to trade with one another through their broker agents in an exchange market would be curtailed. The individual investor himself might then turn, in frustration, to the dealers—only to find that the dealers didn't really want his business; that they preferred to cater exclusively to large institutional customers.

These developments would impair the auction pricing mechanism which today, responding to the forces of supply and demand, provides a continuous and liquid market for listed stocks and, in turn, gives listed companies an effective overview of what the public thinks those stocks are worth. Companies seeking badly needed venture capital would find it more difficult to tap the equity markets as a source of investment funds.

That's not all.

Many corporate executives tend to overlook the mutually beneficial relationship between a high level of individual public participation in the market and a corporation's ability to finance its own growth. It is widely believed that the most important element in corporate financing is retained earnings. And indeed, U.S. corporations last year plowed back some 60 per cent of earnings into new plant and equipment, research and development, and other increasingly costly improvements which help determine corporate excellence and corporate competitiveness.

But many corporate executives make the mistake of assuming that a profitable operation guarantees the ability to reinvest a high proportion of earnings. The fact is that retained earnings are available to many profitable corporations largely because stockholders are willing to forgo immediate high dividend payouts in return for the prospect of higher stock values over a longer period.

In effect, corporations can retain earnings because their stockholders allow them to retain earnings.

If individuals are discouraged by a dealer-oriented market, the emphasis

in individual investment could readily shift from the owners' expectation of capital gains to a European-style demand for a much larger share of earnings, in the form of dividends.

Obviously, if this happened on any substantial scale, corporate issuers would have to shoulder much heavier burdens of external financing.

The net result would be to force corporations to rely more heavily on large institutions for essential capital.

To be sure, reservations have been expressed in some quarters about the validity of this scenario that views an incautious changeover to fully competitive securities commission rates as triggering a chain of events that could have a debilitating effect on the securities auction process and on public confidence in the market.

But more and more corporate executives are finding the warnings all too persuasive—especially warnings that individual investors probably would desert the market and that corporations might face the threat of institutional domination.

More than a year ago, the NYSE Board of Directors—which includes a number of leading corporate executives—developed a simple program that would preserve the exchange auction market system for trading securities. That program would help assure a continuing flow of some 125,000 orders a day to the various auction markets and short-circuit the proliferation of hundreds of dealer markets of varying quality, depth and regulation in listed stocks.

The Board called for legislation requiring, concurrently with the advent of fully competitive securities commission rates, that all trades of listed securities take place on registered national securities exchanges. The legislation recently passed by the Senate would transform this proposal into a "fail-safe" legislative clause that would become operative only on evidence of an actual or likely adverse impact on the market.

Corporate America has an important stake in the outcome of the current legislative effort—in terms of its ability to raise the vast sums of capital needed for its own growth, and in the still broader context of the long-run growth prospects of the national economy.

panorama of the nation's business

By VERNON LOUVIERE
Associate Editor

Breaking the Ice on an Airline Trip

If you fly National Airlines you're apt to get more than the "coffee, tea or milk?" question when a flight attendant leans over your seat.

She may want to know your birthday, how many children or grandchildren you have, or your initials. Object: To find out, perhaps, if you have the same birthday as a flight attendant, whether you have more children or grandchildren than anyone else on the plane, or whether your initials are NAL.

Two flight attendant instructors—Sherry Stubbs and Janice Ackerman—came up with the idea of asking such questions, to put passengers in a friendly frame of mind.

They call their little game SCOOP (which doesn't really stand for anything, they say, though it could signify: "Sweetly croon over our passengers").

According to C.M. Pisciotta, director of National flight attendants, who

liked the idea and asked all attendants to come up with game questions:

"It is an ideal way for our cabin attendants to start a conversation with passengers and it was an instant hit. Not only does it give us a chance to know our passengers better but it's an excellent opportunity to sell National."

Under the rules of the game, there's a new category for establishing rapport with passengers each month.

When, on one flight, the search was for a grandmother with the most grandchildren, there was a hands-down winner who had 85 grandchildren and great-grandchildren. She provided the attendant with all their names, a feat in itself.

The game has its prizes. For a passenger, it is an embossed certificate designating him or her a "Favorite Passenger of the Month." Flight attendants receive trip passes, their pictures on a National "Fly Me" poster, personalized stationery or other goodies.



National Airlines' C.M. Pisciotta and Sherry Stubbs work up new games to be played with passengers.

The in-flight games show passengers National considers them interesting human beings and not just rows of heads in rows of seats, Mr. Pisciotta says. And flight attendants like the idea that their company is trying to make their jobs more interesting and giving them recognition for performance above the call of duty.

A letter from flight attendant Nancy L. Roberts to a superior probably sums it up best: "This has made it easier to meet unusual and charming people. Thanks to you all for adding that 'little more' to the pleasure and satisfaction of my job." •

Micrographics Comes of Age

When thieves broke into Cottle's Food Center in Waterville, Maine, and stole all its bank deposits, the store put an ad in area newspapers asking customers to come in and tell it if they had cashed any checks there.

Fortunately, the Cottle's clientele responded willingly, and losses were at a minimum. Still, the store decided it needed more security in its record-keeping. Eastman Kodak Co. put in a microfilm system.

The micrographics industry has become big business almost overnight. Raymond J. Wilcox, a vice president of GAF Corp., which calls itself the

oldest image-reproducing company in America, says:

"It took 134 years for the industry to reach \$500 million in sales. It is now doubling in size every three years and is expected to have a billion-dollar-a-year market by 1975."

He says there are several reasons:

The "paperwork explosion" in industry records-keeping. The recent eruption in paper prices. Increased postal rates which make savings on paperwork mailings more significant.

For example, it costs about \$6 to file an inch of paper, GAF says, but the same material on microfilm can be stored for 24 cents. Today, 10 microfiche (microfilm adapted to instant retrieval) can be mailed first-class for 30 cents. The equivalent 2,090 sheets of paper cost \$9.40.

The federal government relies heavily on microfilm. The Social Security Administration is believed to be the world's largest user—with some 168 million accounts reduced to tiny strips of film. City and state governments are finding new uses for micrographics, too. New York City's fire department is microfilming floor plans of all potentially hazardous buildings. The State of Kentucky has microfilmed records of incorporation dating back to the year in which it was admitted to the Union—1792.

"Micrographics has finally come of age," says GAF's Mr. Wilcox. "Just as television, which had been around since the '20s, found its time in the '50s, micrographics will make its impact in this decade." •

continued on next page

How to Bounce Back From an Explosion

"Yesterday, we were blasted out of our space," said an ad in New York newspapers. "But not out of business. Today, Comart/Aniforms is in business as usual at 880 3rd Ave."

The firm, which produces advertising and sales promotional materials, was not exaggerating. When a gas explosion ripped through a 25-story office building on Manhattan's East Side last April 22, few offices escaped extensive damage or worse—total destruction.

Daniel Cassel, president of Comart/Aniforms, arrived on the scene about three hours after the 7 a.m. explosion. He joined scores of anxious tenants, held back by police barriers, and gazed up at what remained of his firm's fourteenth-floor quarters. To Mr. Cassel it was obvious from the twisted steel beams and blown-out walls there wasn't much left to his business.

Joined by several associates and employees he met at this scene of devastation, he went to the nearby office of his law firm and held an emergency meeting.

At that point, he was convinced Comart/Aniforms had lost everything—from paper clips to expensive photographic equipment.

But, Mr. Cassel recalls, "We were



A matter of hours after it was blasted out of these offices, Comart/Aniforms was back in business in another location and meeting deadlines for clients.

determined to get back in business, even on a limited basis."

All employees were called and asked to be on hand at a meeting the next morning. All showed up. A plan of action was quickly put together. An encouraging first step was the discovery that Comart/Aniforms could return to an office building it had moved from a few months earlier.

"We broke up into small groups, each with a specific assignment—to buy furniture, art supplies and specialized equipment," Mr. Cassel says. "Everybody hit the telephones. Meanwhile, there were calls coming in. It was like a scene out of some war room in a grade B movie. It was very inspiring. Each group was vying to outdo the other."

Offers of help came from clients,

friends and even competitors. Graphic arts firms offered space, drawing boards and telephones. Audio-visual companies were ready to lend equipment. Forty-eight hours after the explosion, Comart/Aniforms was back in full swing.

Such clients as Carborundum, Minolta and Ralston-Purina would be getting their audio-visual shows on schedule. Schick, Pan American Airways and Homelite were advised their sales promotional materials would meet delivery deadlines. So it went.

"This is not the kind of business experience we would recommend to anyone," says Mr. Cassel. "However, there is some gratification in being part of a group where, because of the adversity, everybody pulled together to accomplish what seemed for a few moments impossible." •

Plowing New Furrows for the Stockholders

J.B. Fuqua of Atlanta runs a half-billion-dollar-a-year business, but he won't turn up at his own stockholders' annual meeting. He thinks such sessions are a waste of time.

As a matter of fact, most of the 25,000 stockholders of Fuqua Industries, Inc., may think so, also—only two who are not on the company payroll were at the latest annual meeting, in May. It was chaired by the corporate secretary, in the absence of Chairman Fuqua and of the company president.

It isn't that Mr. Fuqua, who did chair the 1973 meeting—it lasted

only a minute and 50 seconds—doesn't want to exchange views with the stockholders.

In a letter telling them he would not attend this year's meeting, he wrote: "I can more effectively talk with any interested stockholder on an individual basis with undivided attention if he or she will call or come to my office. I will also be glad to talk with any stockholder on the telephone or see them at my home today or any night or weekend."

Mr. Fuqua has been making a habit of breaking new ground as far as his stockholders are concerned. Two years ago, he issued an annual report which did not carry the customary auditor's report.

As he explained it:

"In a well-managed company the independent auditors do not create financial data, they merely verify that company figures are accurate and presented in a manner consistent with prior years."

Also, in that report, he took the almost unprecedented step of giving a detailed forecast of the company's earnings for the next year.

Currently, the Securities and Exchange Commission is considering requiring all public companies to issue such forecasts. To which Mr. Fuqua comments:

"While we are not fully convinced of the merits of making public projections of future earnings, if this is the kind of music we have to march to, we are willing to lead the band." •



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Up the Minimum Wage Staircase

A guide to what's to come under the law that went into effect this spring

The minimum wage law enacted by Congress this year contains delayed-action features, in addition to those that took effect immediately, with substantial cost impact for many businessmen both as employers and taxpayers.

While some key parts of the law became effective May 1, others will come into play gradually under a timetable spanning the next 3½ years. The following guide is intended to acquaint businessmen with what lies ahead:

The minimum wage for nonfarm workers covered prior to 1966 (when there was a major expansion of the types of jobs subject to the federally set pay scale) will go from the present \$2 an hour to \$2.10 next Jan. 1 and \$2.30 Jan. 1, 1976. It had been \$1.60 until last May 1.

For nonfarm workers first brought under minimum wage coverage in 1966—their current minimum is \$1.90 an hour, raised from \$1.60 May 1—the minimum will go to \$2 an hour next Jan. 1, \$2.20 Jan. 1, 1976, and \$2.30 Jan. 1, 1977. Minimums for newly covered workers, such as domestic help, who were brought into the program at \$1.90 last May 1, will also increase to these levels.

For agricultural workers covered by the minimum wage law, the rate will go to \$1.80 next Jan. 1; \$2 Jan. 1, 1976; \$2.20 Jan. 1, 1977; and \$2.30 Jan. 1, 1978. It went from \$1.30 to \$1.60 last May 1.

Minimum wage coverage was extended May 1 to far more than domestic workers. Included were employees in federal, state and local

government; additional retail and service businesses; agricultural jobs in conglomerate businesses; telegraph agencies; motion picture theaters; logging; and processing of shade-grown tobacco.

Overtime coverage of the minimum wage law was extended, under varying timetables in many cases, to employees of federal, state and local governments; retail and service operations; seasonal industry and agricultural processing firms; telegraph agencies; hotels, motels and restaurants; other food service firms; bowling alleys; nursing homes; local transit companies; cotton ginning and sugar processing operations; seafood canning and processing firms; and oil pipeline companies; and to domestic workers, and mechanics and partsmen in auto, truck and farm implement dealerships.

(The provision for overtime for government employees is expected to have a substantial tax impact on many local governments because policemen and firemen are included.)

Other provisions of the 1974 law: **Retail exemptions:** The "dollar-volume" test for minimum wage coverage in chain retail and service operations will be phased out and, effective Jan. 1, 1977, all such businesses will be covered. The federal wage scale will apply to businesses with \$225,000 or more annual gross volume (compared with the present \$250,000) next Jan. 1, and to those with \$200,000 or more effective Jan. 1, 1976. (Strictly family one-unit retail and service businesses will continue to be exempt.)

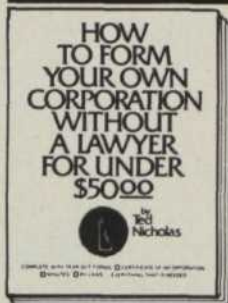
Domestic workers: Household workers will be eligible for minimum wage coverage if they work more than eight hours in any week or have wages of at least \$50 in any calendar quarter. Overtime provisions also apply, but not to live-in domestics. The Labor Department will issue regulations governing the application of wage laws to domestics. Baby-sitters or adults' paid companions working on an intermittent, casual basis are not covered.

Students: Retail and service businesses, agricultural employers and colleges may employ full-time students in part-time jobs—up to 20 hours a week during the school year—at a rate 85 per cent of the applicable minimum wage or \$1.60 an hour (\$1.30 in agriculture), whichever is higher.

An employer must obtain a Labor Department certificate to qualify under this provision. If an employer is planning to hire five or more students, the Department must first determine that this will not create "a substantial probability of reducing the full-time employment opportunities" of other workers. Employers who intend to hire fewer than five students may certify that full-time employment opportunities are not being reduced. The total number of student workers paid this reduced minimum wage may not exceed 10 per cent of an establishment's total work force. The certification requirements are not applicable to employment of full-time students by educational institutions at which they are enrolled. END

How to form your own corporation without a lawyer for under \$50⁰⁰

By Ted Nicholas



You may have considered incorporating. I'm sure you want to accomplish this in the most economical way. You may already be in business and are looking for ways to save tax dollars or limit personal liability.

You can benefit from this report if you are planning a one man business if you are associated with a partner or are the owner of a large company.

This exciting report shows you step by step how you can accomplish this for less than \$50.00.

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You'll learn of the many benefits of incorporating either an existing business or one that is planned.

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How you can incorporate without any capital requirement with zero capital.

The many personal tax benefits of incorporating.

How a corporation limits the personal liability for the owner(s) of a business, to the investment in the corporation. (Except for taxes)

How to actually form a corporation step by step. Included are instructions on completing the forms.

How to own and operate a corporation anonymously if desired. This assures maximum privacy.

How to form a non profit corporation. How to utilize tax "gimmicks" to personal advantage.

Find out why lawyers charge huge fees for incorporating services even when often times they prefer not to.

Learn how and why you can legally incorporate without the services of a lawyer. There is a fallacy in that most people feel it is necessary to have a lawyer to incorporate.

How to form an "open" or "close" corporation and the difference between them. Report contains tear out forms.

Sub Chapter S Corporations. What they are. How to set one up. How to operate a business as a corporation, yet be taxed on individual tax rates if more advantageous.

Learn about the many dangers and hazards of not incorporating partnerships and proprietorships.

What a Registered Agent is. How assistance is provided to individuals who incorporate. The most economical company to use. A complete section on this.

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- "The author is experienced in the corporate world, giving him the qualifications to write this book."—Judge
- "Fantastic! Do you want a partner?"—Lawyer
- "Good idea. Brings the concept of being incorporated within the reach of anyone."—Artist
- "I was quoted a price of \$1,000 each for 3 corporations I want to form! This report saves me almost \$3,000!"—Business Owner
- "Excellent! Written so that anyone can understand it."—Secretary
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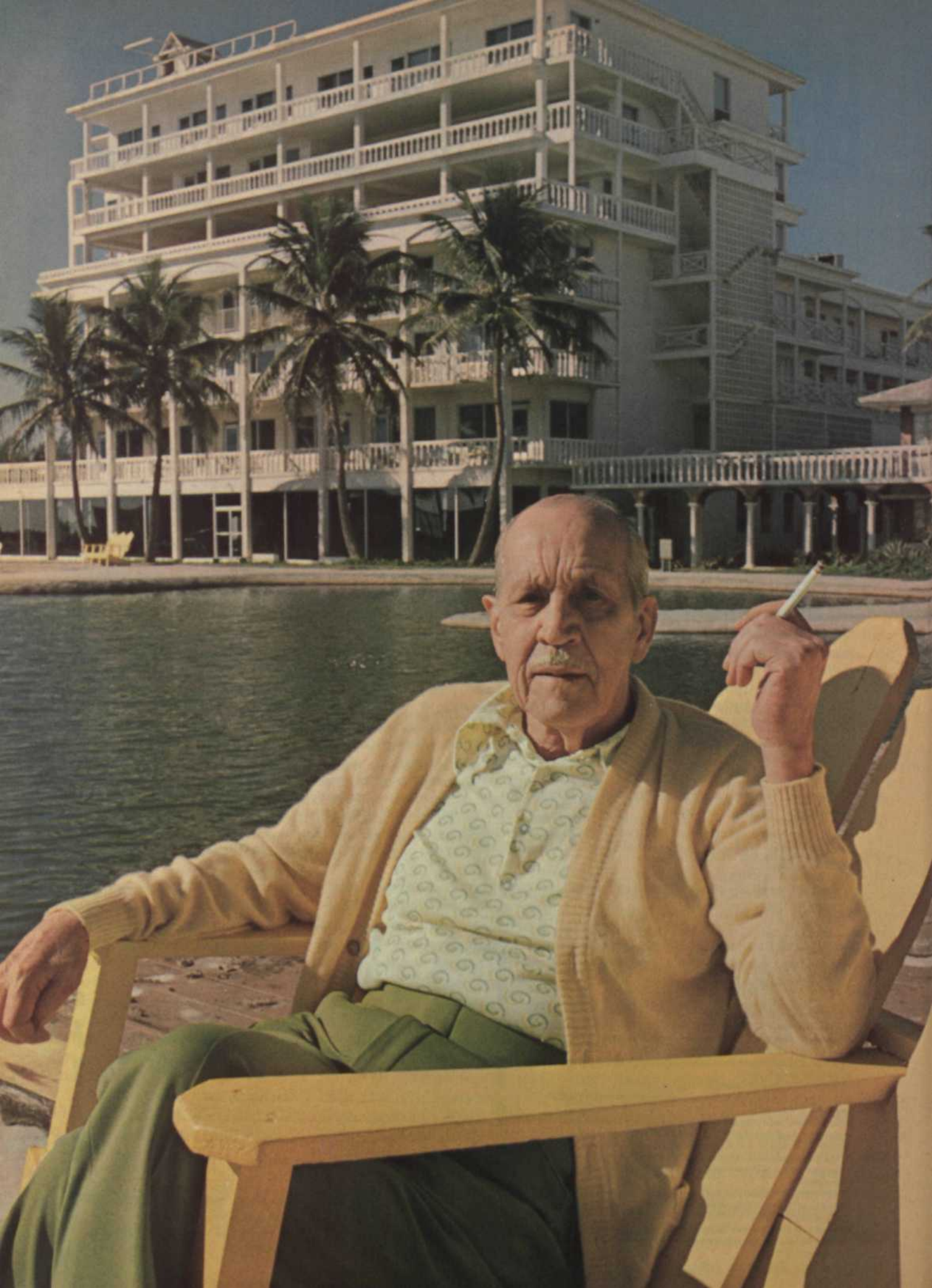
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Mr. Nicholas has been to the White House to personally meet with the President of the United States after being selected as one of the outstanding businessmen in the Nation. *Lyndon B. Johnson 1964



John D. MacArthur of Bankers Life and Casualty

Building his own empire

John D. MacArthur is a billionaire. He may be a billionaire several times over.

The only way to get a precise figure on his net worth would be to add up the proceeds if he sold his vast corporate and real estate holdings—which he isn't about to do.

But in spite of his almost incredible affluence, the trappings of wealth do not seem very important to him.

He lives unpretentiously in a resort hotel—which he happens to own—in order, he says, to beat the servant problem. He runs his complex business empire—ranging from insurance to land development, and office buildings to a paper recycling plant—from a tiny square table in the noisy coffee shop of the hotel, the Colonnades Beach in Palm Beach Shores, Fla. (He has a hideaway office in another part of the hotel, but it has little more grandeur than a cut-rate motel room.) Even at his

12,000-acre ranch in central Florida, where now and then he retreats for a day or two of rest, there are no visible signs of luxury. In fact, when he is there he merely moves into a spare room at the unpretentious home of his ranch manager.

The MacArthur Insurance Group comprises a dozen of his 44 companies, the chief one being Bankers Life and Casualty Co. Its assets are invested in the stock of various subsidiaries. The subsidiaries, in turn, own a number of subsidiaries. The only companies in his empire which are not wholly owned are Royal American Industries, Inc., (in which Bankers Life owns about 70 per cent of the stock) and Southern Realty & Utilities Corp. Both are land development organizations listed on the American Stock Exchange.

Other holdings range from Citizens Bank and Trust Co., in Park Ridge, Ill., to the Gulf & Western building in New York City.

The flagship, Bankers Life, is headquartered in Chicago. Mr. MacArthur acquired it for \$2,500 as it was about to sink from sight in the Depression. As board chairman and chief executive officer since 1936, he has built it into the world's second largest stock accident and health insurance company.

He is also the biggest individual land owner in Florida and has even larger holdings in Texas.

When Florida officials balked at building a turnpike exit at Palm Beach Gardens, one of Mr. MacArthur's sprawling developments, Mr. MacArthur retorted: "Hell, I'll build it myself. Pay me back when you get some money." He put in the interchange at "something over \$350,000." Soon, the state had collected enough in tolls at the exit to reimburse him. And incidentally, the exit had immeasurably enhanced the value of adjoining MacArthur land.

Gravel-voiced and always talking

John D. MacArthur *continued*

around a cigaret, Mr. MacArthur, the son of a minister, often speaks like a character out of "The Front Page," the prize-winning play about big city journalism co-authored by his late brother, Charles.

He realizes he has a talent for taking advantage of opportunities which others don't perceive, but he insists that just as often his mistakes have unexpectedly and fortuitously turned into profits. His quick mind enabled him during World War I to learn to fly in about an hour and a half. Today, it enables him at age 77 to keep on top of scores of far-flung and complex business deals at once.

He is a man who, over a wide span of years, has known and dealt with the mighty in finance and commerce, from Sam Insull to Howard Hughes, and with the glamorous of stage and screen, including Bob Hope, a friend for whom he created a palatial suite, with a black marble sunken bathtub and gold fixtures, at his hotel.

In this NATION'S BUSINESS interview he tells about his career and his philosophy of management.

You got into the newspaper business when you were quite young. Was it your brother Charles who lured you in that direction?

Yep, it definitely was. Charles was a star reporter with the old *Chicago Herald-Examiner*. I got a job as a reporter there, too. When I wrote a story, it ended up in the want ad section, if at all. But if I phoned it in to my brother, it hit the front page.

In those days, on a morning paper, you'd go to work at one o'clock in the afternoon and work until the paper went to bed. Sometimes it was two in the morning, depending on what happened.

But I wasn't cut out for that kind of life and hours. And frankly, I wasn't what you'd call a roaring success as a newspaperman.

My brother Alfred was in the insurance business, and I had worked for him before as an office boy. So I decided to go back to work for what was then Central Life Insurance Co.

Was insurance more to your liking?

Yes, I turned out to be a pretty good salesman. In fact, I may have been the first man in Chicago to

write a million dollars worth of insurance in a year. That was in 1916 when I was 19. So, naturally, I got the big head.

What was your selling technique?

I always started talking about a policy that would pay \$10,000 if anything happened. Then the guy would want to know the cost. Well, it would be \$250. "I can't afford that," he'd say.

"Well," I'd say, "I will sell you half of it; I can do that for \$125." I would even get down to a quarter of a policy, or an eighth.

It looked like a great bargain then, didn't it?

Yes. And the results were good. If I sold one of those eighths, it might be to a man who would normally have bought only \$1,000 worth of insurance. This way, though I didn't talk about \$1,250 worth of insurance, that's what he ended up with. So my production was 25 per cent higher than it would have been.

Where did you find your prospects?

I would go out to a factory and talk to the workers. I could sell 10 or 15 policies in a day while they were in the yard on a nice summer day eating their lunch.

I couldn't get on the grounds without first talking to management. I would ingratiate myself and sell a few people there. Then I would say: "How about your boys there? They need this, they don't want to have to pass the hat when tragedy strikes."

I was really a kid, but older men seemed to look up to me because I was outproducing them. Of course, I thought I was better than anyone. So one day I told off our company's medical director for turning down one of my applicants for no reason at all. I lost a thousand-dollar commission. "To hell with you," I told that company. "I am going to start my own company. I am going to show you how to run an insurance business." I shot my big mouth off, and pretty well burned my bridges behind me.

Was that when you bought your first company?

No, it was later, after State Life of

Illinois hired me as a vice president. That was about 1927.

I had a private office and a secretary. Every morning I got a report as long as your leg showing the amount of money the company had in the bank compared with a year ago, the insurance in force compared with a year ago, and on and on.

Then I got to browsing around and discovered four girls were mimeographing about a hundred copies of that report every day. It was a horrible waste. I never looked at my copy. What the hell did I care what we had a year ago? I was looking at next year.

I told the girls to stop preparing a new report every day. "Put one of those old leftover ones on everybody's desk," I told them.

So everybody kept getting a report every day but nobody ever looked at them. Some were a year old.

At the next directors' meeting, I told them what I had done. The result was a strained relationship. I had a couple of years to go on my contract but I knew they would be very happy to see the smart-aleck kid go, so I asked: "How would you like me to resign?"

"Very much," they replied.

"I'll make it easy for you," I told them.

They had been bellyaching about the trouble it was to reinsure the business of a little company, Marquette Life in downstate Illinois. So I said: "I'll go down and buy the Marquette, since obviously they aren't going to cut the mustard. You give me the money to pay for it and I will give you a release from my contract."

So I bought the company for \$7,500 and I called in a lot of my friends who were good producers. We figured out that, on our production, we could build a company. With my people elected, we decided to move to Chicago. So we threw all the stuff into the trunk of my car and moved, and that's how I started in business on my own.

When did you acquire Bankers Life?

I got into it quite accidentally. I needed volume. The state insurance examiners were very tough because so many Illinois companies had failed, with the Depression on. They



John D. MacArthur runs his business empire from the coffee shop in a hotel he owns—incessantly smoking, drinking coffee and talking on the phone. Mr. MacArthur, who is not above doing odd jobs for hotel guests when no staff member is available, expects to leave most of his wealth to a foundation.

were going out like lights on a Christmas tree. My own company's policies were lapsing as fast as we could write them and it finally got down to the point where I was the only agent. One day the insurance examiners came to us and one said: "The Governor is going to put all you little guys out of business so you can't get a chance to swindle the people."

Then he told me about a little company that had been referred to the liquidator only two days before. I bought him a cup of coffee and started asking questions. He told me there wasn't anything wrong with the company itself, but the man who had been running it was having his own electricity and telephone bills paid out of company funds, among other things. I later contacted the chief examiner and he told me that the company had over \$20,000 in assets and that \$2,500 would have made it solvent.

"Suppose I give you the \$2,500," I said.

"That would be the least trouble for us and we would have one less failure," he told me. So a check for \$2,500 was made out in the name of the company—Bankers Life and Casualty. I got all the books and records, including the cards on insurance in force, and they went into the trunk of my car, too. I also got all the bonds.

How could you sell insurance in those days when nobody had any money?

Well, the banks were closed and wouldn't open for at least 90 days, everybody thought. So I'd tell prospects: "Suppose I take your note for 90 days, then you can pay me." I had a bushel basket full of notes.

Finally, I hit on what was the turning point for the company—selling a man insurance for what he had in his pocket. I figured out how much insurance a dollar would bring at any given age. He would fiddle around and come up with a couple of dollars. Those sales were for cash

only. I could make at least \$5 a day, never less than that, because I could sell five policies. And as the agent I took the first monthly premium on each one.

Everybody wanted insurance that way. If you got the cost down to what they had in their pockets, you got the money right then and you would mail them the policy with a note for another \$2 and they would put \$2 in an envelope and send it back. The mail was pretty reliable in those days.

Is that when you realized you might be able to sell by mail?

I was virtually the entire sales organization then. So I finally thought: If I can only put on a piece of paper what I tell these people to get them to buy this policy, I can send out 1,000 copies a week.

I had this sales message printed on newsprint at \$2 a thousand, with an application enclosed.

Fill it out and send it in, the message said. Here's your self-addressed

AFTER

you

Know what you want to say
Identify your audience

ORDER

Audio-Visual
Communication for
Associations (2972)

Name

Position

Organization

Address

City

State

Zip

☐ Enclosed find a check for \$15.

☐ Bill me.

Chamber of Commerce of
the United States
1615 H Street, N.W.
Washington, D.C. 20006

BEFORE

you

Develop your presentation
Decide how much to spend
Purchase audio-visual
equipment
Set up the conference
room
Distribute a film

John D. MacArthur *continued*

envelope. To my amazement, I suddenly had \$70,000 in the bank.

Things were really looking up then for you?

Well, after direct mail was first introduced in the early 1940s, we began to grow. In the 1940s, we were adding companies hand over fist.

How big is Bankers Life now—over \$800 million in admitted assets, isn't it?

I don't know. And I couldn't tell you within a million dollars what the premium income was last year or will be this year.

You clutter up your mind with a lot of numbers. I don't remember telephone numbers. I don't even know how many rooms there are in my hotel. But, of course, I can pick up the phone and find out any number I want.

The land development companies were started, really, when I came to Florida some years ago. But I don't want to give the impression I've done everything all by myself. No man walks alone. I've had the good fortune to have excellent people who seemed to have faith in me because I didn't lay too many eggs.

You are the sole stockholder of Bankers Life and many other companies, so I take it you like to run things your own way and not have any boards of directors to report to. Is that the best way?

It's good and bad. I am the sole stockholder in Bankers Life because, in the very early days, it was impossible to get anybody to join me. They all said I was trying to do the impossible. Dollars were too hard to get in those days and nobody wanted to gamble them with me.

But to answer your question, it is good to be flexible because I have a number of deals where someone has to move fast. I don't want to have to say: "Sorry, our finance committee meets a week from Thursday and the matter can be taken up then." In that respect, it has been good, because many people come to me since they know I can say Yes today.

By and large, though, the restraint of a board is good, too. Even if you just have to sell the board members

an idea, you clarify your thinking, because they ask some questions you wouldn't have thought of. So I would say one partially offsets the other.

How do you exercise control over such complex business operations as you have?

I don't demand to personally supervise everything. How could I? We have 10,000 people on the direct payroll. And 7,500 salesmen. I go with the old rule that you can supervise eight people well. You do that and then you take one of those eight and have him supervise eight more under him.

You would get smothered in detail if you tried to do everything. An executive must assign responsibility. However, too many executives assign a responsibility and then forget it. You have to check back and see whether the man you assigned it to is doing the job well. Whenever I get a new man in a new situation, I make no bones about it—I go back and look over his shoulder.

You have a lot of shoulders to look over.

Well, you want to see what he did wrong and what he did right. I let people make mistakes, if it's not too costly, because that is the way I learned. A man will find out by himself that he is wrong and he won't do it again. It is much better than telling him: "In my judgment . . ." and all that.

You recently sold a television station here in Florida. How did you happen to get into that business?

I probably had some money I didn't know what to do with. I sold one in Colorado to Bob Hope about 15 years ago.

You have a suite here named after Bob Hope, don't you?

Yes, I had added a third golf course to the Professional Golfers Association complex here and I wanted Bob to come and dedicate it. But he said: "Where in the hell would I live? Not in that crummy hotel of yours."

I told him: "I'll build you the best suite you were ever in." And when he got here he had to admit I had.

We let the public use it now with the understanding that they will vacate in 48 hours if Bob wants it. A few months back he phoned me from Washington to see if anybody was using it. He wanted to come down and rest. He got in late and we made a date to have breakfast together.

The next morning, after I'd been waiting for an hour or two, I discovered he had ordered breakfast sent up to his room.

So I said: "Well—that s.o.b.! I'll fix him!" I went out to the kitchen and put on a white jacket, picked up the tray, took a photographer up—and what a shot we got of him having breakfast in bed!

You've had a lot of battles in your life. Do any stand out particularly?

I don't know. Whatever you're in, you're in to win.

How do you win battles against government agencies?

Just be right; that's all you have to do.

How did you happen to come to Florida from Chicago?

I felt some of the younger men were leaning on me too much, so I got out of their way. I had loaned \$5.5 million on some real estate down here and the loan had gone sour. So, I thought I'd come down and work it out. It would give me something to do and I could still be in touch by phone.

Is it true that you own about 200,000 acres in Florida?

Probably. That's a fair estimate. I told you I'm not too good on figures.

You've had a reputation as a conservationist but lately you have been fighting with the environmentalists. How come?

There are some bearded jerks and little old ladies who call me a despoiler of the environment. But I believe I have more concern than the average person. For example, I built Palm Beach Gardens without knocking one tree down. I moved the biggest tree ever moved in Florida—they said that it weighed 80 tons, though I doubt it. That got quite a

little publicity—a full page picture in *Life*. And it is growing beautifully now. We nursed it and took its blood pressure every morning and it came out fine. If I find unusual trees, I have them moved onto the golf course. A lot of people don't want a tree anymore and rather than have them chop it down, I will move it for nothing.

Many environmentalists today are obstructionists and just throw rocks in your path. They are trying to keep people out of Florida. To me, that is un-Christian. The poor slobs in New York and New Jersey saved their money and bought a little piece of land down here, and now the obstructionists say they can't use it.

How did you happen to buy this hotel?

A maid who had been with us many years became pregnant and told my wife she would have to resign. This property had been offered to me a couple of weeks before so I said: "That's great. I won't have to worry about a maid or anything. We will just move in. Pick up the phone and get room service. To hell with everything." Nice way to live.

Well, you can guess what happened. I now worry about the maids for everybody in the place.

In addition to all your other activities, you are a pilot. Do you still fly?

I was a pilot in World War I and I flew until I was 60 years old. After World War II, I bought Gen. Hap Arnold's B-25 out of Army surplus. [The late Gen. Henry H. Arnold commanded the Army Air Forces in World War II.] It was a beautiful ship. My wife is overly cautious and doesn't like to fly so I would take my secretary and I would crank up the plane and fly to Denver or Los Angeles. I had a company in Los Angeles by that time.

It was great. I never had to worry about a reservation or missing a plane.

But I finally promised my wife I would stop when I was 60 years old. I had forgotten all about that promise but at my 60th birthday party, with about 50 people there, she said: "Give me that license." She burned it with a candle on the cake.

What happened to that B-25 of yours?

I sold it to Howard Hughes.

Do you remember what he paid you for it—or is that none of my business?

It is none of your business, but I got \$150,000 and he got a bargain. It had cost the government a lot more than that.

You did a little more dealing with Howard Hughes later, didn't you?

Yeah. I sold him the Frontier Hotel in Las Vegas. We had a flashing-light sign, the brightest and finest on "The Strip." It cost a half-million dollars and was almost as high as the building. Howard was living in the Desert Inn across from the Frontier and he complained the sign bothered him. He offered to buy it for twice what it cost.

The hotel or the sign?

The sign. I sent word back that it was a deal, that if he wanted that sign, I would buy a new one. Well, he never bought it. He ended up buying the hotel and the property around it instead. I never talked personally with him during the transaction, though.

But you have talked to him?

Yes. When Hughes was producing movies, my brother Charles did some work for him. I would say I am a casual acquaintance. I don't know that Howard has too many intimate friends.

You were involved in show business for a time yourself, weren't you?

Yeah, my brother Charlie talked me into publishing a magazine, *Theatre Arts*, but that wasn't a full-time occupation. *Theatre Arts* magazine was quite a thing in its day, but when the newspapers and *The New Yorker* magazine and everybody began to print theatrical news it really had no reason to exist.

I produced one show, and that was at the suggestion of Henry Luce. His wife, Clare Boothe Luce, had written the play. Margaret O'Brien, the child star, had grown up and never played Broadway and I thought it would be nice to give her a chance. But I was inexperienced. I tried to draft Bur-



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John D. MacArthur

continued

gess Meredith to help pull it out of the fire, but he dodged the draft after watching a few performances in Philadelphia. I concluded that, by and large, it's a tough way to make a dollar.

What do you enjoy doing most?

I don't know that I enjoy what I'm doing. I think it was Socrates who said: The more your possessions, the more you are possessed. I've got myself trapped into so many slots, I'm working like a stevedore.

Perhaps that's a poor comparison. Are stevedores the hard-working ones? Of course, they've got machinery now and coffee breaks. Make it an Army mule.

I usually get up at five every morning. I've always gotten along with just a few hours' sleep. I phone my associates who are early risers and make good use of the time.

What would you say your net worth is?

When H.L. Hunt was asked that question, he said: "Anybody who knows what they are worth isn't worth very much." It is so true. What's this land worth, for example? It's only worth what you can get for it. Unless you sell it, you don't know what it is worth and you don't care.

Your holdings would appear to make you one of the richest men in the world.

I don't think of myself as rich. The company I work for is stinking rich and I happen to own the company. I've always thought the greatest compensation was a day's work well done, not the dollars involved.

I certainly didn't have much to start with. I remember my father saying: "Don't be a hog. You can be a pig. Pigs get fat but hogs get slaughtered." **END**

REPRINTS of "Lessons of Leadership: Part CX—John D. MacArthur of Bankers Life and Casualty" may be obtained from Nation's Business, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 50 cents each; 50 to 99, 40 cents each; 100 to 999, 30 cents each; 1,000 or more, 20 cents each. Please enclose remittance with order.

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BICENTENNIAL
ADMINISTRATION:

A Constructive Spirit Toward '76

The city was Philadelphia. The year was 1876. A huge throng filled the streets around Independence Hall, watching the hands of the steeple clock inch toward midnight.

"At that time," an account of the day went, "the new bell rang out a joyous peal and was responded to by other bells, cannons, shells, rockets, drums, pistols, steamwhistles and human voices, and through all the confusion, a procession seven miles in length marched, and it is estimated fully one million people viewed this grand pageant."

It was July 4, and an exuberant, bumptious nation was celebrating its centennial in Philadelphia. It was a loud, noisy birthday party that was, at the same time, America's first world's fair.

Growth, expansion and unlimited progress in the future were the fair's themes. The nation had taken enor-



A workman recaulks one of the panes of hand-formed glass which make up the flame section of the Statue of Liberty's torch, as the famed monument gets a face-lifting. The American Express Foundation donated \$50,000 for repairs as part of American Express Co.'s participation in the bicentennial and is also underwriting a half-hour film history of the statue. Refurbishing is being done in cooperation with the National Park Service and American Revolution Bicentennial Administration.



John Warner is sworn in as ARBA administrator by Vice President Ford on the steps of the Capitol, as his 12-year-old son, John IV, holds the Bible.

PHOTO: AMERICAN REVOLUTION BICENTENNIAL ADMINISTRATION

old ships to ply inland and coastal waterways with bicentennial exhibits—have also been scuttled.

In fact, the federal organization set up in 1966 to plan for the bicentennial—the American Revolution Bicentennial Commission—is now defunct, replaced this past winter with the American Revolution Bicentennial Administration.

The Commission, almost from its inception, was wrapped in controversy, charged with lack of leadership and overcommercialization of the 1976 celebration.

Strictly do-it-yourself

So if a gigantic fair, a kind of 1976 version of the “grand pageant” of 1876, with a central theme, and with everything there is to see in one place, is your idea of how to celebrate the bicentennial, you’re in for a disappointment.

Rather, there is a do-it-yourself approach, which the federal government took after going back to the drawing board. Localities and states are being urged to make the celebration a grass-roots affair, involving a wide range of citizens in a number of activities.

The one-city celebration with massive new construction has given way to a more localized effort that seems to be emphasizing such things as reenactments of local historical events; restorations of old buildings; cultural events, such as theatrical performances, with patriotic themes; and downtown revitalization projects.

President Nixon set the tone for the new approach in a radio address last March. He said:

“The bicentennial is not going to be invented in Washington, printed in triplicate by the Government Printing Office, mailed to you by the U.S. Postal Service and filed away in your public library.

“Instead, we shall seek to trigger a chain reaction of tens of thousands of individual celebrations—large and small—planned and carried out by citizens in every part of America.”

And after sputtering like a sodden firecracker for several years, the nation’s bicentennial celebration at last seems to be ignited. It won’t explode with the one big bang some would like in 1976. Instead, it apparently

A Constructive Spirit Toward '76 *continued*

mous technological strides, and it seemed like much more than a 100 years had passed since the days of the measured life of Eighteenth Century America, when a group of colonials had pledged “our Lives, our fortunes and our sacred Honor” in a Declaration of Independence from the British crown.

The great attractions at the fair were Alexander Graham Bell’s remarkable invention, the telephone, and the massive, 40-foot high Corliss steam engine which powered all the fair’s machinery.

The massive engine seemed to epitomize the America of 1876, a country moving rapidly from an agrarian society to an industrialized one, and proud of it. It sat in the center of Machinery Hall, like an altar, surrounded by rows of glistening locomotives and other items to ooh and ah at, among them Singer sewing machines and Pullman berths. The

Corliss behemoth had been transported to Philadelphia in 65 railroad cars, and after the fair was used in industry until it was scrapped in 1910.

On the lighter side, a young man by the name of Charles Hires was peddling a new carbonated drink, that became a favorite of the children. It was called root beer.

Ninety-eight years later, as the nation moves toward its bicentennial, no similarly huge effort to mark the event is planned in Philadelphia—or in any other city, for that matter.

Plans to have an international exposition in Philadelphia fell apart two years ago as costs escalated and disagreements mushroomed in the City of Brotherly Love over where the fair should be located. Other large projects—for permanent “urban, recreational and cultural” parks in each state financed with \$1.2 billion in federal funds, and a fleet of

will emit a series of lower-key pops.

In Philadelphia, for instance, an organization called Philadelphia '76 has emerged out of the ashes of the aborted world's fair concept and put together a two-year birthday party. ARBA officials say it may set a pattern for other cities planning for 1976.

It will emphasize and use existing institutions such as the Philadelphia Orchestra, Franklin Institute and the Philadelphia Museum of Art. Over 300 events are planned, ranging from a smorgasbord of cultural events to a ceremonial convening of the present U.S. Congress.

Moving the Liberty Bell

Independence Hall will be the centerpiece of the city's role in the national birthday party. Its most famous occupant, the Liberty Bell—which was rung to announce the vote for American independence in July, 1776—will be moved to a more accessible location across the street on a mall.

In addition, there are to be numerous sporting events, a flower show, meetings of learned societies, religious convocations and new exhibits by museums. As planned, the revamped celebration should cost around \$130 million. It is expected to attract 18 million visitors in 1976, about six times as many as the city usually gets.

Across the nation, at least 1,000 towns, cities, counties and civic organizations have drawn up plans for participation and have been designated as bicentennial communities. Each plan includes a project to improve the life of the community in such fields as art, recreation, education and housing—not just in 1976 but for years to come.

In many areas, the projects seem to follow the lines of Philadelphia's efforts, with refurbishment of buildings, commissioning of books on local history, and cultural and entertainment events. But in other areas, the programs include bricks and mortar. Denver, Colo., for instance, is celebrating its own 100th anniversary in 1976 in coordination with the nation's bicentennial. Goals set include completion of a new performing arts center and a new sports arena.



The bicentennial is shaping up as a rich blend of pageant and culture. Scenes will be re-enacted from the Revolutionary War (left). The St. Paul Chamber Orchestra (top) plays in the first of a series of bicentennial concerts and the Idaho Folk Ballet Company performs its "Ceremony on the Open Plains."

In Washington, ARBA's task is seen as providing leadership, motivation and coordination; serving as a central clearinghouse and issuing a master calendar of events, projects and ceremonies set by states, localities and private groups.

John Warner, former Secretary of the Navy and current head of ARBA, says he sees the federal role as analogous to Tom Sawyer and the fence whitewashing incident in "The Adventures of Tom Sawyer."

"I feel precisely that way about this job," Mr. Warner says. "A country has only one 200th anniversary and a fellow doesn't get a chance to participate in something like that everyday day."

ARBA is not going to direct and produce the bicentennial, the self-assured Mr. Warner goes on. But like Tom Sawyer, "we're going to step back and share. Where there are gaps in the fence, or we think the wrong paint is being used or the work is sloppy, we'll suggest improvement."

John Warner has wrestled with the

commercialization issue since he took over the helm at ARBA.

Should a corporation make a profit from bicentennial participation?

"Well, the bicentennial is stressing a volunteer effort in an unselfish manner," Mr. Warner says. "Companies that underwrite projects deserve recognition, but let's hope they don't try to make a profit out of it."

A wide range of American manufacturers already are offering dozens of bicentennial products. Some have official tie-ins with bicentennial organizations. Franklin Mint, of Philadelphia, has an arrangement with the Bicentennial Council of the Thirteen Original States—a nonprofit group set up to coordinate those states' celebrations—to market commemorative medals. The group gets a 10 per cent royalty from Franklin Mint—a major source of Council funding.

There's quite a spectrum of prices for bicentennial memorabilia. Some go for only a few dollars. But the Boston jewelers, Shreve, Crump & Low, offer a two-foot-long, hand-



This is the design of the reverse of a quarter to be issued in honor of the nation's bicentennial.

A Constructive Spirit

continued

made, silver model of the *Mayflower* for \$30,000.

Many companies are taking great pains to be authentic and tasteful.

Limited Editions Collectors Society, of Hingham, Mass., plans to sell a series of products including one-fifth-scale replicas of the Liberty Bell made by the Whitechapel Bell Foundry in London—which made the Liberty Bell itself in 1752—and replicas of Revolutionary period lanterns, muskets and war drums.

"There's nothing wrong with commemorating the bicentennial this way if it's done in good taste," comments Limited Editions President Richard J. Guilfoyle.

ARBA plans to come up with a commemorative licensing program which would control use of the official bicentennial seal—and which would raise several million dollars for redistribution to state and local bicentennial groups.

The commercialization issue is particularly delicate because ARBA hopes a large part of the bicentennial's cost on both the local and national levels will be underwritten by the private sector. ARBA officials have begun a round of consultations with corporate and other private groups to try to develop programs that will elicit interest and financial support.

But fears of being charged with "a commercial rip-off" and the lack of one large exposition as a focus have made some potential corporate supporters wary of the bicentennial.

"The private sector is looking to ARBA for guidance in finding programs to fund. Our role is to play the honest broker and match programs and financing," comments Andrew Wahlquist, who is ARBA's director

of private sector liaison. Mr. Wahlquist says there are lots of opportunities to support bicentennial television programs and various events at the local or national levels.

To name just a few examples of private sector support for bicentennial projects:

- The Daughters of the American Revolution gave \$200,000 to refurbish and furnish a room on the second floor of Independence Hall.

- American Express Co. donated \$50,000 to assist in the repair of the Statue of Liberty. In addition, the company is producing a 30-minute documentary film on the statue's history.

- The Ford Foundation has pledged \$650,000 to the National Archives and the Library of Congress for reproduction of the papers of the Founding Fathers.

"The private sector has a definite responsibility to the bicentennial," says Mr. Warner. "Private enterprise has flourished under our system. It should return some of that profit."

Limited budget—and role

The budget submitted to Congress for the bicentennial makes it clear the federal role in the celebration is going to be limited. The White House asked for and got:

- To run ARBA in fiscal year 1975, \$8.3 million—compared to \$7.3 million the previous fiscal year.

- Automatic grants of \$25,000 for each of the 50 states and five territories in fiscal 1974. (Similar grants are expected for fiscal 1975.)

- Grants of \$200,000 for each state and territory to be available in fiscal 1974 through 1976. (To get one of these larger allotments, a state must match the funds with appropriations from its own legislature or from donations from private sources.)

Above and beyond the federal grants, the states and localities will have to appropriate their own bicentennial funds or raise them from contributions from various sources.

On the federal level, a government task force culled 280 bicentennial projects out of a list of 500, submitted from 22 government agencies, that will be funded under regular Department appropriations. Federal agencies such as the National Park

Service, the Smithsonian Institution, the National Archives and the Library of Congress will sponsor the major federal-level bicentennial projects.

Another source of federal funding for bicentennial activities will come from the National Endowment for the Humanities and the National Endowment for the Arts. NEA spent an estimated \$15 million in fiscal 1974, and expects to spend \$25 million in fiscal 1975, in 12 major program areas ranging alphabetically from architecture to visual arts.

NEH spent about 26 per cent of its 1974 budget on bicentennial-related efforts and is expected to step up spending during the 1975 fiscal year. One project NEH is involved in is the American Issues Forum, an attempt by NEH with ARBA's endorsement to develop a calendar of topics around which groups and organizations can set up discussions in the media, schools, churches and professional and civic organizations.

"Our aim," says Dr. Ronald Berman, NEH chairman, "is to encourage a national dialogue deeply rooted in a better understanding of our history." The current timetable calls for the issues to be discussed during 1975 and 1976.

Another major NEH bicentennial project to take shape is a traveling exhibit for circulation in the U.S. and abroad in 1975 and 1976 called "The Age of Franklin and Jefferson." It is a 7,500-square-foot exhibit that will contain artifacts, paintings, manuscripts and photographs pertaining to the American Revolution. Designed by Charles Eames, it will open the European leg of its tour in Paris in December and then move to Warsaw and London, returning in early 1976 to the U.S., where it will be shown in New York, Chicago and San Francisco and other cities during the bicentennial year.

ARBA's John Warner makes it clear, however, that the bicentennial's success—or lack of it—isn't going to be gauged by such programs commissioned at the federal level and run from Washington.

The commemoration, he contends, "shouldn't be judged by the number of spectators, but by the number of participants." **END**

CHEERS OR JEERS?

THE PEOPLE'S BICENTENNIAL COMMISSION:

A Destructive Spirit Toward '76

A band of would-be revolutionaries, who sneer that corporations are using the nation's bicentennial celebration to turn a profit, are themselves using the historic event to propagate their philosophy—with help from some unlikely sources.

The People's Bicentennial Commission, officially listed as a national private bicentennial organization, has received financial support from foundations and even the federal government for its "educational" programs.

Led by a young entrepreneur of the left named Jeremy Rifkin, PBC publicly espouses as its goal the creation of a new American Revolution.

"To be true to its revolutionary origins, the new American Revolution must not be a revolution in rhetoric, but rather a revolution in fact," Mr. Rifkin said in an article entitled "The Red, White and Blue Left," published by *The Progressive* in No-

vember, 1971. "The new American Revolution must bring about fundamental changes in our social, economic and political institutions. It must advocate and be prepared to implement solutions to the grievances that now go unredressed by our present American system."

In a recent speech, he was more specific. "The way to celebrate" the bicentennial, he asserted, "is with a revolution to abolish corporations."

All of PBC's spiffy public relations handouts are sprinkled with talk of revolution, talk which the organization tries to justify with quotations from American patriots.

In a pamphlet entitled "An Introduction to the People's Bicentennial Commission," PBC describes itself as "the largest national organization preparing for the 200th anniversary of the American Revolution," and goes on:

"We are beginning to propagate our revolutionary principles through every forum of communication at our disposal: radio, television, community newspapers, magazines, books, theater, music and art. We are encouraging activist organizations to integrate the principles of our revolutionary heritage into every political activity."

According to Rep. Richard Ichord (D.-Mo.), chairman of the House Internal Security Committee, the "concept behind" PBC "appears to have originated" in Chicago in 1969, when John Rossen, owner of a Chicago movie house, produced several pamphlets calling for a new revolutionary force based on a combination of Marxism and American nationalism.

"At this time," Rep. Ichord told his colleagues last December, "Rossen organized the Johnny Appleseed

PHOTO: UNITED PRESS INTERNATIONAL



The People's Bicentennial Commission seized the occasion of a Boston commemoration of the famous Tea Party to attack oil companies, and tar and feather an effigy of President Nixon.

A Destructive Spirit Toward '76 *continued*

Movement for Peace and Human Rights and published a tabloid, *The New Patriot*."

Castro as a model

The Congressman continued:

"Rossen's pamphlet, 'Toward a New Patriotism,' explains the reasoning behind this Marxist nationalism: 'Essentially, the New Patriotism is a political tendency based on the concept . . . that the American Revolution is a continuing, ongoing liberatory process, an unending drama of ever-present conflict and the forward march of human over property rights. . . . A political movement or party based on the New Patriotism would be socialist, humanist and internationalist in substance and content, and nationalist in form and rhetoric. . . .'

"This pamphlet cites North Viet Nam and Cuba as examples of this sort of desired 'continuing revolution that starts with bourgeois-democratic national-liberation and continues through (and beyond?) a socialist revolution,' beyond to their goal of communism. Rossen further notes that the two prime benefits of this New Patriotism approach are an end to the social alienation felt by many New Left radicals, and a contradiction of the statement that 'radicalism and revolution are alien or un-American'."

In the summer of 1971, according to Rep. Ichord, Mr. Rossen's "ideas, rhetoric, graphic designs, etc.," were taken over by Jeremy Rifkin, then 26, and also of Chicago, who had been active in the antiwar movement since 1967.

PBC opened its offices in Washington, D.C., in 1971, and has since organized chapters in many states. It has received a great deal of attention ever since the September, 1972, publication of a lengthy attack in *The Progressive* on the American Revolution Bicentennial Commission, which was established by the federal government to coordinate all bicentennial programs (and which became the American Revolution Bicentennial Administration last January).

"Written by Jeremy Rifkin and Erwin Knoll, the article was made possible," Rep. Ichord said, "by the theft of confidential documents over

a period of months by an ARBC employee who gave the papers to Rifkin and Knoll."

On the basis of the Rifkin-Knoll article, *The Washington Post* ran a three-part series which gave wide Capitol Hill circulation to charges that ARBC sought to commercialize and politicize the bicentennial.

A Senate Judiciary subcommittee held hearings, and ARBC Director Jack LeVant, who had been in ill

health and hospitalized, resigned.

In addition, a House Judiciary subcommittee staff investigation was conducted—partly, according to a staff source, because of the newspaper stories, and also because the then-chairman of the Judiciary Committee, Rep. Emanuel Celler (D-N.Y.), already was concerned about the quality of work being done by the Commission.

Both Rep. Celler and Sen. Charles

PHOTO: WIDE WORLD



PBC's "Boston Oil Party," staged against a backdrop of patriotic observances sponsored by city authorities and a veterans' group, included the tossing of oil drums from a reproduction of an Eighteenth Century brig. PBC was swiping at oil company prices and profits.

Mathias (R.-Md.)—who was one of the original sponsors of the legislation creating ARBC and who shared Rep. Celler's concern—had earlier requested a complete review by the U.S. General Accounting Office.

GAO did so and reported on Dec. 21, 1972 that it had not found "any attempt by the Commission to commercialize the bicentennial celebration."

The report elaborated: "At the time of GAO's review, the Commission had not endorsed a single commercial product. GAO concluded that in planning, encouraging, developing and coordinating activities commemorating the bicentennial, the Commission and its staff have a responsibility to work with the business community as well as the general public. The fact that business firms may profit commercially from the bicentennial does not relieve the Commission of its responsibility."

GAO did criticize ARBC for some bookkeeping practices, for lack of sufficient staff, for a \$2,163 overpayment for travel expenses, and because in 1971 the Commission used National Park Service funds to operate while awaiting approval of a supplemental appropriation. GAO asserted this violated federal law prohibiting expenditure of funds in excess of the appropriated amount, and ARBC repaid the Park Service \$124,650.

An exposé exposed

On March 18, 1973, an article appeared in *The Washington Post's* Sunday magazine, *Potomac*, by the ARBC employee—now a former employee—who had supplied information to Messrs. Rifkin and Knoll. It was entitled "Exposé of an Exposé—Confessions of the Bicentennial Commission Spy."

The author, Robert Arnebeck, whose ARBC job had been that of a mail clerk, wrote that "from February to July, I amassed the documents that unmasked the ARBC. Late July, *The Progressive* magazine went to press. The world would know the truth about the bicentennial the week before the Republican Convention."

But Mr. Arnebeck said he was disillusioned with the results of his spying, carried out in a basement near a soft drink machine, where he said the



How to best celebrate our nation's 200th birthday? PBC's Jeremy Rifkin says the way to do it is with a "revolution"—nonviolent, of course—"to abolish corporations."

confusion of papers, bottles, pencils and magazines on his messy desk at least once prevented his discovery.

"Overjoyed to be rid of the government bureaucracy, when the dust settled I found myself in a bureaucracy of the left," he wrote. "The PBC is supported by foundations. Financed through the utilization of tax loopholes by the rich, the PBC attacks the rich and their tax loopholes."

Mr. Arnebeck quoted Mr. Rifkin as saying:

"I tell them [the foundations] the bicentennial era could be another McCarthy era. Those rich liberals lap it up."

Among foundations donating to PBC, according to Rep. Ichord, are the Stern Fund and the Center for Investigative Journalism.

But the government has not been left out. The National Endowment for the Humanities awarded Mr. Rifkin a \$7,210 "youth grant" in 1972 for what an Endowment spokesman has called "the most scholarly type of historical research."

One product of the grant was a pocket-size book of quotations, entitled "First Principles—The Platform of '76."

The booklet's preface declares: "When people come to feel that certain ideas of how they ought to live are no longer being served by the basic institutions under which they live, they are ready for fundamental changes in their society. When people act to change those basic institutions, they make revolution."

Rep. Ichord, in his remarks last December, told Congress:

"The cleverness of the PBC in disguising its goal of making a 'new American Revolution—a revolution in fact' has succeeded in duping large numbers of concerned Americans."

They have been led to believe "it is a legitimate patriotic organization developing commemorative celebrations," he said, adding that a bi-monthly PBC tabloid "gleefully publishes pages of letters from these Americans, including leaders of the Girl Scouts, teachers, boards of education, the American Bar Association, local ARBC committees, etc., supporting PBC programs and requesting large amounts of PBC literature, radio spots, etc., to use as part of upcoming bicentennial celebrations."

The "Boston Oil Party"

In fact, John D. Rockefeller 3d, in a recent *Newsweek* article citing what he called a need for the nation's 200th birthday celebration to be an ongoing affair, to help rebuild faith and pride in our country, mentioned the People's Bicentennial Commission as one group that has "articulated the concept of an era rather than a birthday party."

(A spokesman for Mr. Rockefeller told NATION'S BUSINESS that "although he believes in the era concept, he did not intend to give them [PBC] a blanket endorsement of everything they do, by any means." The spokesman added that Mr. Rockefeller hopes the doings of a "small, noisy group like this will not frighten businesses away from taking an active part in the bicentennial. If the bicentennial means anything, it ought to represent all points of view.")

On Sunday, Dec. 16, 1973, PBC celebrated a party of its own—the "Boston Oil Party."

Rifkin & Co. obtained gobs of pub-

A Destructive Spirit Toward '76 *continued*

licity when they marched to Boston Harbor, demonstrated against President Nixon and the oil industry, and dumped oil drums into the water. It was the 200th anniversary of the Boston Tea Party and the PBC demonstration, watched by thousands, took place amid other commemorations of that historic event which were staged by Boston municipal authorities and the Disabled American Veterans.

PBC, in establishing its own "Patriot's" program for the bicentennial

to compete with what it calls the "Tory"—or establishment—program, criticizes the role of the American corporation and claims the free enterprise system is not really free.

It says "the frustration and bitterness of millions of working people, who see the fruits of their exhaustive labor siphoned off into the coffers of the very rich, are ignored."

PBC also asserts: "We need a plan of attack, a program for taking power."

Says Mr. Rifkin: "Above all, this must be a revolution built upon hope and alternatives for the future, rather than the fears and dismay of the present."

"Today's revolutionaries are not so naïve, not so bemused with romantic adventurism, nor so unaware of the lessons of history that we believe in the overnight attainment of these goals through instant revolution. Our first steps may be modest, our first demands transitional, but we will achieve our ultimate goals, which are built on nothing less than our own American Dream."

Accent on youth

Much of PBC's program is directed at youth.

A tabloid "youth guide" has been prepared for distribution, including "a few choice remarks from the people who brought us the American Revolution."

The "guide" offers exercises for students to work out for themselves.

In the first, they are instructed to consider the words "government by consent of the governed." Then, they are to contact the following types of people, and ask them to compare their day-to-day lives with the idea of "consent of the governed."

Governor

Armed Forces officer
Store manager
Landlord
Welfare Department worker
Teacher
Phone company employee
Police officer

Governed

Enlisted person
Clerks
Tenant
Person on welfare
Student
Phone user
Ordinary citizen

"Does [sic] the governed in the first list feel that they govern, or not?" PBC asks. "How do they describe their relationship with the people in the second list?"

"Ask the governed about the person they work under. Does the governed in each case feel that she or he has consented?"

Then:

"Based on what you found out, do you think the suggested list of 'governors' and 'governed' holds up? Just how valid an idea is 'consent of the governed'? What changes are needed—if any—to make society agree to your idea of government by consent of the governed?"

PBC says it's not planning a violent overthrow of the government. "I hardly think shooting in the streets would do much in an industrialized country," said Charlie Jones, one of Mr. Rifkin's coworkers in the Washington office, during a recent interview.

More in mind, he said, is further revival of historical customs and events.

"We might concentrate on doing something to revive the memory of Paul Revere's ride in April, 1975," Mr. Jones said.

Since PBC has used history and the words of patriots to lend legitimacy to its intentions, it is not surprising that the organization has adopted the Revolutionary War's historic "Don't Tread on Me" flag, complete with coiled rattler.

Charlie Jones' explanation for the use of the symbol: "The snake only bites when you step on it."

Does the People's Bicentennial Commission really believe that it truly represents people who have been or are being stepped on?

—CLIFFORD M. MICHAELS

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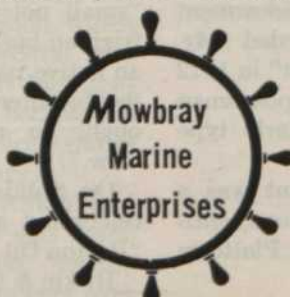


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Don't Make a Mess of Waste Disposal

How should a company handle this irksome, costly problem? There are a number of alternatives to consider

Waste disposal is no small problem for business these days. It affects marketing, financing, production and net income to a greater extent than ever before.

In the past it was a simple matter to get rid of solid or liquid waste by dumping it in a nearby field or waterway, or by arranging with a local scavenger to do it for you. No longer.

Government, at the state and local level as well as nationally, is increasingly tough in this area.

Already, several states require registration for waste dumped on land. Local ordinances prohibit emptying questionable liquids into municipal sewer systems. And the Environmental Protection Agency predicts a rising rate of enforcement of federal waste control legislation. When a federal permit requirement for release of waste into or near waterways or the ocean went into effect in October, 1972, many companies were given time to meet pollution abatement standards. In most cases, this time has now run out.

EPA, in issuing permits, is spelling out guidelines for allowable discharges—with amounts keyed to production—and is setting deadlines for such steps as completion of engineering reports and construction plans.

There will be spot checks and periodic checkups by the government, as well as self-inspection—with companies monitoring themselves and sending in reports.

The target, says Jack Sweeney of the Environmental Protection Agency's Organic Wastes Section, is the best practical technology. Although he says "we're shooting for minimum levels of control," he notes that this will mean a quantum jump from the status quo. He adds: "If everyone conforms to the standards, it will reduce pollution 90 to 95 per cent."

The red faces factor

What if you don't meet the standards?

The laws come equipped with a set of teeth—stiff fines, even plant shutdowns, where abuses are both conscious and extreme.

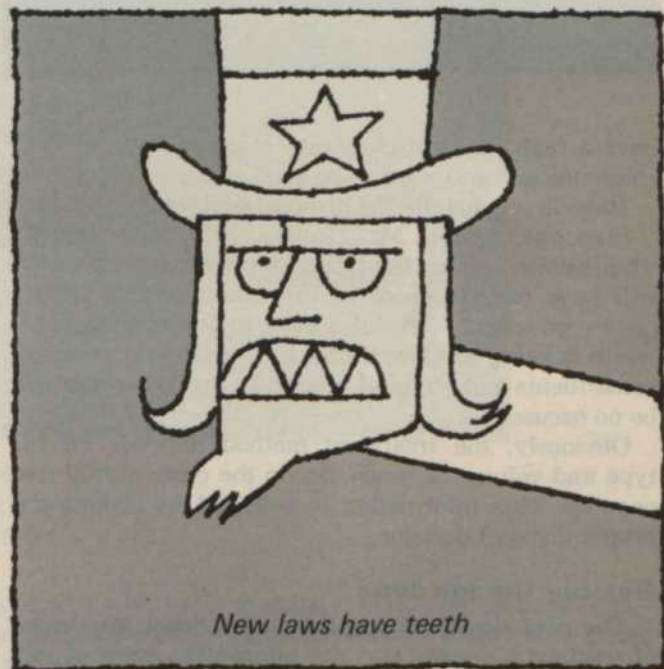
Also, there's what might be called the red faces factor:

- In Virginia, a company had drums of noxious wastes barged out to sea. Days later the plant manager received a call from City Hall. The stenciled drums had been carried back in by the tide. Picking them up and disposing of them properly was an embarrassing, as well as a costly, headache.



Keep good corporate image

DRAWINGS: CHARLES A. DUNN



New laws have teeth

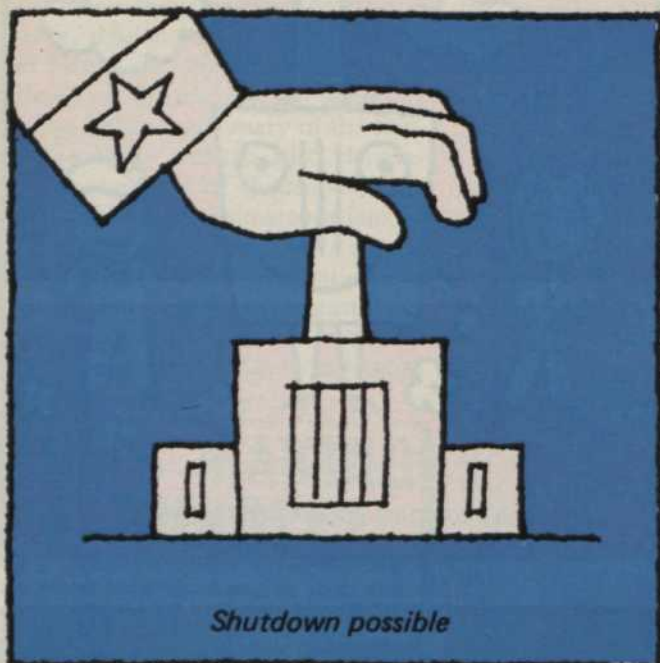
- In Philadelphia, a manufacturer buried tanks in an empty field. No dice, said EPA—future seepage was likely. Trucks were hired so the waste could be picked up. They came back empty, unable to take the terrain. Bulldozers had to be used to dig out the tanks.

In addition, there's the possibility of citizens' action lawsuits, a growing trend on the environmental scene.

What's more, "the specter of litigation from improper disposal" can linger long after the disposal takes place, notes Carl A. Gosline, president of Rollins Environmental Services, Inc., a subsidiary of Rollins International, Inc., of Wilmington, Del. "The waste you generate," he says, "can be yours forever."

Last but not least, there's the matter of doing what's right. If waste is mishandled, there are—as Mr. Gosline puts it—"hidden penalties aside from the dollar costs involved." He points out that "most companies

Don't Make a Mess of Waste Disposal *continued*



have a high sense of corporate responsibility to their communities" and want to be good citizens.

How do you handle the disposal problem?

Step one, advises Mr. Gosline, is to know exactly what wastes are involved. The sophisticated executive will have expert advice in this complex field. When an environmental official wants to know how much waste is being produced, how it is generated, what its constituents and physical properties are, ignorance will be no excuse.

Obviously, the treatment method depends on the type and volume of waste. So do the costs, initial and ongoing. This information is essential in making the proper disposal decision.

Getting the job done

The next step is to examine and evaluate the degree of treatment needed and the alternative ways of getting the job done. The main possibilities are:

- On-site construction. You can build and run your own waste treatment facility, or have specialists do it for you. If your waste stream is closely coupled to operations and is fairly uniform as to composition and flow rate, and if volume warrants the capital expenditure, this could well be the most economical course.

However, beware of the hidden price tags. A partial list: Depreciation, interest, permits, quality control maintenance, lab expenses, management attention, and internal and external paperwork. One company came up with a \$270,000 estimate for a 220-gallon-per-hour treatment plant. But when hidden expenses were identified, the real cost rose 29 per cent.

- Regional treatment service. In a few areas private companies will pick up industrial wastes and take them to a regional treatment or recovery center, essentially a large chemical plant. Here waste is "detoxified" by changing it thermally, chemically or bio-

logically into a product acceptable to the environment.

Such firms will help you determine the degree and type of treatment needed for your waste, and advise on process modifications to minimize its generation, notes Mr. Gosline. At one electronics company, processing alterations resulted in less water consumption, reducing the volume of waste to be disposed of. Treatment cost was cut 25 per cent.

The regional contract service firm takes advantage of economics not enjoyed at an on-site facility. By blending different wastes, for instance, a chemical mix can be produced which makes treatment more efficient—one man's acid offsets another man's alkali. For some wastes, incineration at high temperatures is required. Combining wastes often lowers the overall BTU requirement, reducing fuel need.

- The middleman route. For companies which produce small quantities of hazardous waste, collection and transport to outside treatment centers can cost as much as the treatment. One solution is a transfer station, operated by trained, qualified people, to receive, classify and store waste materials according to type.

Collecting small volumes, even a few drums at a time, the transfer station assembles quantities large enough for pickup by the regional service firm, which trucks or barges the waste in bulk to its treatment center for proper disposal. A number of companies in the Boston area, including Raytheon and Microwave Associates, find it economical to work this way.

- Original supplier. Some suppliers of marketed products which ultimately wind up as toxic waste will take the material for a fee. For example, social-minded Monsanto Chemical Co., which produces a DDT-like product highly noxious after use, accepts customer returns of the residue at its own treatment center.

Again, in determining the practicality of this alternative, plant location and transportation costs are important factors to consider.

- Standby service. Even with your own treatment facility, there's no telling when emergency will strike. During an operational upset at BASF-Wyandotte Corp. in Kearny, N.J., management went through a difficult period until a regional service firm was contacted and arrangements were made for trucks to be on hand 24 hours a day, seven days a week, during the shutdown. It's wise to organize for such a contingency in advance, so that a quick phone call can set the right wheels in motion.

Pollution control, like death and taxes, is inescapable. So, it seems, is confusion spawned by regulations dealing with the problem. But, as he can in the case of so many other problems, the foresighted manager can minimize the cost and the grief.

—RAYMOND DREYFACK

REPRINTS of "Don't Make a Mess of Waste Disposal" may be obtained from *Nation's Business*, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 50 cents each; 50 to 99, 40 cents each; 100 to 999, 30 cents each; 1,000 or more, 20 cents each. Please enclose remittance with order.

the climate abroad: Mexico



PHOTO: CARL FRANK—PHOTO RESEARCHERS

Ten million people—one sixth of Mexico's population—live in bustling Mexico City and its environs. This scene is on the Paseo de la Reforma, a major artery which runs the length of the city.

The investment climate in Mexico is influenced by factors that are evident in other developing countries. The nation is torn between two attitudes: one, a growing economic nationalism that seeks freedom from foreign economic dependency, and the other, the very practical awareness that foreign capital and technology are essential complements to the country's development.

Mexico is steering its way adroitly between the two conflicting views. Xenophobic elements are satisfied by official pronouncements chastening multinational companies and emphasizing Mexico's determination to maintain economic autonomy. On the

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other hand, official practice with respect to the approval of specific foreign investments is guided by pragmatism: "What can this investment do for us?"

The nation could not always afford to be so choosy. During its post-revolutionary period and up to a decade after World War II, Mexico was dependent on imports for virtually all its capital equipment and a high percentage of its consumer goods. Foreign investment was relatively heavy in the extractive industries, in agriculture and—through local representatives of U.S. manufacturers—in the distribution of imports.

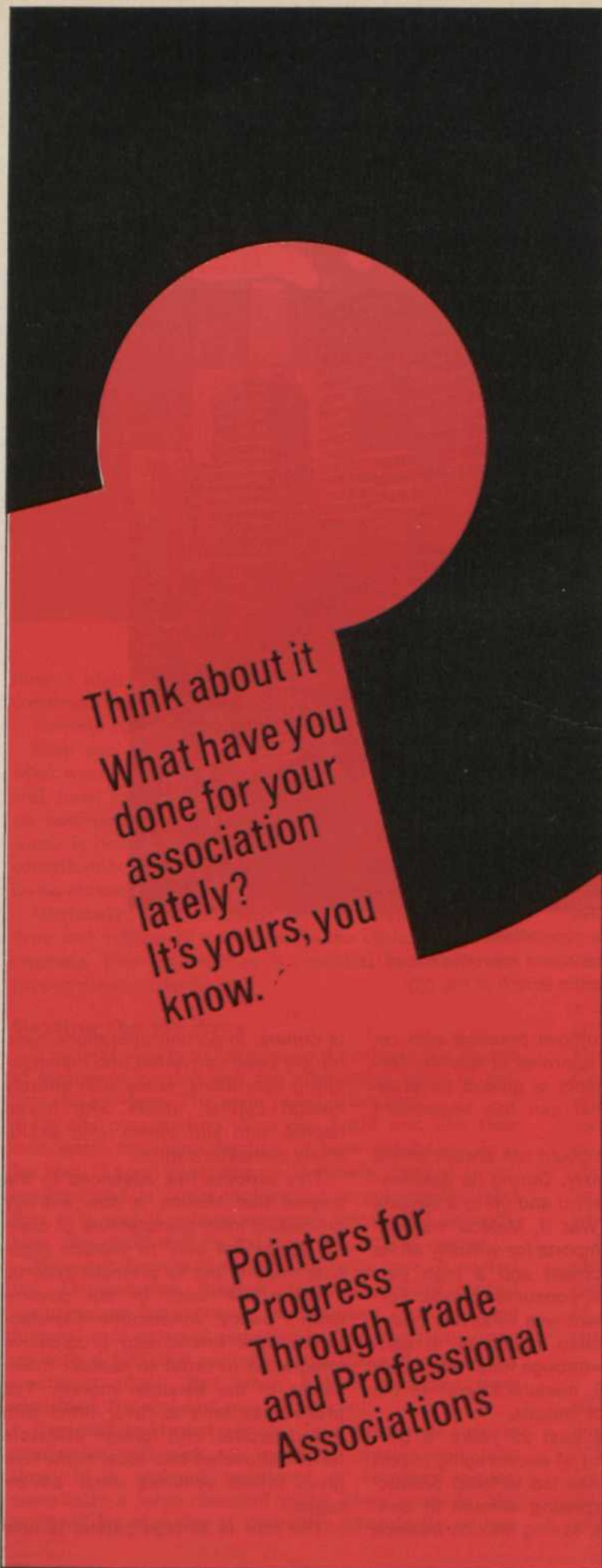
During the past 20 years, a government policy of encouraging import substitution has led to local production of a surprising amount of consumer goods, saving Mexico millions

of dollars. Importing operations have rapidly been converted into manufacturing operations, some with entirely foreign capital, others with mixed capital, and still others with exclusively domestic capital.

This process has advanced to the degree that Mexico is now actively promoting local manufacture of capital goods not only to replace high-cost imports but to promote exports.

There are teeth in the government's policy. Automobile manufacturers were forced into progressive integration in order to sustain themselves in the Mexican market. Tax procedures tend to favor firms with mixed capital, and foreign investors have discovered that local know-how gives mixed ventures other advantages.

The flow of foreign capital is now



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The Climate Abroad

continued

governed by two laws that went into effect early in 1973—the Law Regulating Foreign Investment and the Transfer of Technology Law. These measures subject foreign investment projects to greater official scrutiny and assure that Mexico receives such investment and its accompanying technology on the most advantageous terms possible.

Mexico applies several litmus tests to any proposed foreign investment project: Will it help the balance of trade either by eliminating imports or by promoting nontraditional exports? Will it provide a significant number of new jobs to hold down the alarming unemployment and underemployment figures? Will it provide new technology input adapted to Mexico's development needs?

If it meets any or all of these criteria, foreign investment is welcome on a mixed-capital basis. It is not welcome if it involves a mere takeover of a sickly Mexican company or if it proposes to invade a lengthening list of restricted areas that already include agriculture and transportation and—to a lesser degree—mining and petrochemicals.

It's still too soon to tell how the present combination of pragmatism and regulatory legislation will work. Although there have been indications of shyness on the part of foreign investors, no significant change, up or down, is expected in the ratio of direct foreign investment to total direct investment (well under 6 per cent).

In spite of often-alarmist oratory, Mexico does not really regard her economic autonomy as under serious threat from multinationals. With a judicious mixture of domestic and foreign capital, the nation has achieved an average 7 per cent annual growth in GNP in the past 10 years. In some sectors, development is well advanced (steel, for example); in others, it is many, many years away.

Mexico's marked tilt toward state intervention and control of business has long been a concern of the local private sector, and it is not overlooked by potential foreign investors.

More than 30 per cent of the country's productive capacity is in the hands of the government, in a wide variety of areas, and some govern-

advertisers in this issue

ment-owned firms or "decentralized agencies" are in direct competition with private business. The massive food distribution agency CONASUPO is just one example. Private sector spokesmen voice frequent complaints, but the government insists that it enters a given business only when the private owners are ready to be bailed out, and that its absorption of private initiative functions is consistent with what is happening in other nonsocialist nations.

Mexico's chief advantage to the investor can be expressed in the words "prolonged stability."

Its currency has maintained a \$12.50 to \$1 U.S. relationship since 1954, and there is little probability of a devaluation in the foreseeable future. Also, Mexico has a long tradition of free convertibility. It has a record of uninterrupted political stability for more than three decades. Its tightly controlled banking system provides security for deposits and portfolio investments. And it has a steadily growing middle class that means not only an expanding market but an ever-more-fruitful source of labor on all levels—unskilled, skilled, management and technical.

The country has serious problems, to be sure. Its population growth rate, one of the world's highest, is the root of urban blight and of grave deficiencies in the educational system. In spite of near-sufficiency in petroleum, Mexico is caught in the world inflationary spiral. Much of the nation's land is arid and unsuited for cultivation; its urban population, growing even faster than the rural population, shows alarming indices of unemployment; its *ejido* system of small farm parcels is an anachronism that constitutes a serious brake on rural development.

But John C. Langley, president of the American Chamber of Commerce of Mexico, sums up Mexico's future this way: "The nation has vast undeveloped and unexploited areas and resources, ready for imaginative capital—foreign or domestic—to create new opportunities for growth. For foreign investors, the rules of the game, although protective of Mexico's cherished autonomy, are not too harsh to preclude good dividends on a well-considered mixed venture."

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business: a look ahead

BY GROVER HEIMAN
Associate Editor

Trouble Ahead for Oil Drilling Under the Waters

The Interior Department is proposing a change in the game plan that could slow, or even stop, oil and gas drilling operations on the Outer Continental Shelves.

It has announced it intends to amend existing regulations to require firms exploring offshore to submit confidential geological and geophysical data to the Geological Survey.

Environmental data would be made public immediately. Other data would not—at least not immediately—but would be used by the Survey, which is part of Interior, to establish a fair market value for leases. The Survey will hold hearings on the proposal July

15 and 16 in Washington. Stiff opposition is assured from petroleum companies, which are understandably unwilling to pass over proprietary information obtained on speculation and at great expense.

"If there is one sure way to slow down exploration, this is it," says Dr. Wilson Laird, director of the American Petroleum Institute's division of exploration.

The Interior Department, however, contends disclosures will "serve the public interest, conserve natural resources, encourage competitive bidding, and assure the receipt of a fair market value for federal resources."

A Quid Pro Quo for Foreign Aid

Growing concern over materials shortages is bringing some rather novel ideas about solutions to the surface.

On Capitol Hill, Rep. Clarence E. Miller (R-Ohio) and 48 of his fellow solons argue that Uncle Sam, instead of giving aid free to foreign countries, should swap it for raw materials. They are sponsors of a bill, H.R. 14561, that would authorize such bartering.

"We are outstripping our capacity to meet our raw materials demands," Rep. Miller

has warned. "However, we can do something about the basic problem by bartering our foreign aid for minerals that the recipient countries are sitting on."

One such object of barter could be oil.

Rep. Miller's comment, on the House floor, came at a time when the National Academy of Engineering was estimating that it would require between \$490 billion and \$610 billion in capital investment to give the U.S. self-sufficiency in energy by 1985.

A Slightly Softer Boom for Exports From U.S. Farms

Farmers will remember fiscal 1974 as their very best export year, and 1975 is expected to be nearly as good.

The Agriculture Department calculates that U.S. exports of farm products totaled \$21 billion in fiscal '74—\$8 billion more than in the previous year.

For the fiscal year just under way, the Department's economists are estimating exports will range between \$17 billion and \$19 billion, which would make it the second best

year in history. Reasons given for the predicted decline from last year's record export pace include a slowdown in the rate of economic growth in principal foreign markets, increased world production of many commodities, and—in some instances—lower prices.

Agricultural imports into the U.S. are expected to stay about the same as in the last fiscal year—around \$9.5 billion. This is some \$2.2 billion more than in fiscal '73.

Government Blows Either Hot or Cold on Air-Conditioning

The continuing federal government energy conservation program is having an impact on government construction practices, and could raise a lot of temperatures.

What may be a landmark case concerns a Defense Department family housing program in Hawaii.

DOD plans to central air-condition existing and new units. But the General Accounting office complains that if DOD goes ahead, it will be wasting \$100 million.

A GAO report says prevailing trade winds make the islands' climate so pleasant that air-conditioning isn't necessary. It bolsters its argument by noting that air-conditioning

isn't common in Hawaiian private residences, even really luxurious ones.

DOD, however, argues that in some areas the winds don't help—and that, in any event, families of its personnel are accustomed to air-conditioning and won't be comfortable without it.

GAO's report is before Congress, now considering the military construction budget for fiscal 1975. If Congress accepts GAO's contention that the government should be governed by common climate control practices in an area when it builds there, the effect on future federal construction could be far-reaching.

A Fair U.S. Share? Tell It to the Marine Underwriters

This country's marine insurance underwriters are intensifying their efforts to regain a more equitable share of the world market—a development which would help the U.S. balance of payments by hundreds of millions of dollars.

John B. Ricker Jr., chairman of Marine Office-Appleton & Cox Corp., largest domestic marine insurance company, says that at least \$1 billion in marine insurance premiums result from U.S. foreign trade annually, and that almost half of those premiums go to foreign insurers.

Prior to World War II, some 70 per cent of insurance on U.S. exports was handled by domestic firms. Now it's about 30 per cent. Restrictive practices in effect in some 30 nations put U.S. underwriters at a distinct disadvantage.

(Domestic insurers have not suffered similar reverses on imports—they've held 50 per cent of the market throughout this period.)

The American Institute of Marine Underwriters is leading a drive for parity with

foreign firms on export insurance. Initial target is trade with communist nations, where the action has been decidedly one-way. On past Soviet grain purchases, for example, all the insurance was written by Ingosstrakh, the Soviet insurance monopoly.

AIMU favors two positions, which can be reached by legislation or negotiation: 1. Where exports to communist countries are financed in whole or part by the U.S. government the cargo insurance should be placed with U.S. firms. 2. Where private financing is used, the insurance should be written by American firms on the basis of proportion of U.S. financing, and their share should never be less than half.

The foremost marine insurance nation is Great Britain, which has about 50 per cent of the \$3.3-billion-annual-premium market. The bulk of the British underwriting is done by the 163 syndicates that make up Lloyd's of London. The 30 U.S. firms are second in total sales, but Japanese firms may soon displace them from that position.

"The Fed" Fears a Loss of Clout

The Federal Reserve Board these days is worrying about an accelerating trend in bank deposits that will reduce its control over the nation's monetary policy.

In 1960, "the Fed" could directly influence 83 per cent of the nation's bank deposits through its authority to set reserve requirements for banks that are members of the Federal Reserve System. By 1973, this percentage had dropped to 75. So far this year, the trend downward has been more pronounced—net demand deposits at nonmember banks are growing twice as fast as those at member banks.

Of more than 14,000 commercial banks in the U.S., about 60 per cent are not Federal Reserve members. Their reserve requirements are set by the states.

No percentage of deposits figure is generally accepted in banking circles as signifying the end of Fed control of monetary

policy, but the Federal Reserve Bank of Chicago says the continual decline is steadily undermining the Fed's effectiveness in this area.

A bill introduced by Sen. John Sparkman (D.-Ala.) would require nearly all financial institutions to hold reserves against deposits according to a schedule established by the Federal Reserve. Only the smallest banks would not be affected.

The bill, which is supported by the Fed, would not require mandatory membership in the Federal Reserve System nor—proponents claim—threaten the authority of state bank supervisory agencies. Says the Federal Reserve Bank of Chicago: "The Board is seeking the control of money, not the control of banks."

However, the proposal—which is similar to others made in the past—is not given much chance in Congress.

editorial

Let It Be

Both Congress and the President are so busy with other matters that they don't seem to be paying much attention to the economy.

To be sure, there are some wild ideas floating around on Capitol Hill—a return to controls; a suicidal tax bill; even “indexing,” a scheme for compensating for price increases—but none is apt to become an actuality.

Maybe it is a good thing there is likely to be so little action.

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